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NATIONAL BUSINESS REVIEW

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Inside

T&P: Govt again looking to chop off commercial arm

THE Government has revived consideration of a plan to lop off the commercial arm of the Tourist and Publicity Department.

Private enterprise would take over the department's roles as a travel agent both domestically and overseas.

The department would become a wholly promotional, Government-funded organisation similar to the Australian Tourist Commission and the United States Travel Service.

A rumour circulating in Auckland says one plan now under consideration provides for the sale of the Government Tourist Bureau to private interests, followed by the extinction of the department, with promotional functions being distributed among Foreign Affairs and Trade and Industry.

Either move would be compatible with the new National Government mood to constrict departmental trading activities and encourage expansion of private enterprise.

The real reason the department has been under continuing pressure and scrutiny for the past few years is the yawning gap between tourism receipts ($181,460,000 to Novemember 1979) and travel expenditure by individual New Zealanders overseas ($664 million for the year to January 1980).

The expenditure is a significant and growing slice of the deficit for "invisibles", or non-trade terms, in the balance of payments.

This has led to the suggestion that private industry, profit-motivated, would promote and hard-sell domestic travel to New Zealanders, reducing the number that travel overseas.

But the reality is that the private sector would be selling international holidays now if there was any money in it.

One suggestion from the Travel Agents' Association

Private enterprise . . . would take over

(TAANZ) is that higher commissions on internal travel, specially air fares, would be an incentive. But the air fares themselves are a disincentive, in some cases as high or higher than fares to overseas resorts.

Because the Government Tourist Bureaux sell travel at low commission rates, their existence has traditionally been supported by travel agents.

Many in the industry are confident that the extinction of the bureaux would have the reverse of the intended effect, and would in fact result in less promotion and sale of domestic holidays.

Another observer has remarked that placing tourist promotion within Foreign Affairs and Trade and Industry would have the same effect on it as placing Civil Aviation within the Ministry of Transport has had on civil aviation — the down grading has diminished it as a career attraction and resulted in reduced authority and efficiency.

The Tourist and Publicity Department is the oldest state-owned tourism promotion agency in the world. Two years ago, the Government considered taking away its promotional function and in fact moved some of its roles to Foreign Affairs and Trade and Industry.

Under the late general manager, Michael Roberts, killed in the Mt Erebus crash, the department seemed to stabilise.

There have been suggestions that Roberts' successor, Neill Plimmer, a high-powered career diplomat without significant in-depth trade or tourism background, has been appointed to act as undertaker for the department.

What is sure is that the pressure is on the State Services Commission to do something — perhaps anything.

It is understood that Finance Minister Rob Muldoon has again expressed his concern to Tourism Minister Warren Cooper at the slow growth of tourism receipts in comparison with travel expenditure.

Cooper subsequently sought suggestions from the private sector on ways to boost inbound tourism and domestic travel.

He also talked sternly to the industry, suggesting it is exacerbating the situation by heavily promoting overseas travel and spending minimal time and money on bringing in tourists or encouraging Kiwis to holiday at home.

Travel agents have responded by saying they have to hustle outbound business to keep their share of the market. If they don't sell hard, international airlines and overseas tour operators will do it and the agencies here would face economic difficulties.

Traditionally, TAANZ members have claimed there is no validity in comparing tourism receipts and travel expenditure, for all sorts of reason. For example, they say, travel expenditure overseas by businessmen should be balanced against the export gains of whatever industry they are travelling for.

The historical method of reducing overseas travel expenditure is the currency claim — reducing the amount of foreign currency travellers are allowed to take with them, and refusing to accept through the banking system repatriated banknotes, previously smuggled out of the country, thus reducing their value overseas.

But travel is now the second biggest international industry and currency curbs are more complicated to apply. They encourage black marketing, specially the sale of foreign currency at heavy premiums by those with money overseas.

But two measures are highly likely to be enshrined in this year's Budget:

- A requirement that overseas use of credit cards will be paid for in foreign currency on return except perhaps, where payments are related to accommodation or transport.
- A per-week rather than a per-month allowance of overseas exchange, with a more firmly controlled ceiling where the reason for travel is purely for vacation, and not business related.

White elephants may be harnessed

THE Electricity Department is studying how it can use two white elephants, Marsden A and B power stations.

Marsden B, the $120 million oil-fired power station, is being put in mothballs as soon as it is completed.

Marsden A is seldom used.

Both stations stand as expensive monuments to overestimates of power use — relics of an era of cheap imported oil.

Present power requirements can be met by hydro power, leaving about 25 per cent surplus capacity.

The NZED is studying a plan to use the generators at Marsden A and B and perhaps Merimeri as syncronous condensors to correct the power factor in the Auckland grid.

The power factor refers to the degree to which the amperage (the volume of electricity) lags behind the voltage (the speed of electrical flow).

In simple terms, the generators will act like huge condensors when power is fed into them, driving them like syncronous motors. This will correct the power factor.

The huge fuel oil storage tanks at Marsden B are being used to store diesel oil as a national reserve — a purpose for which they were never designed.

Diesel is less viscous than fuel oil and has a habit of *slipping past valves designed* to hold back a flow of thick fuel oil. This is what is happening at Marsden B, where the taps are leaking.

Fixing these leaks will be a tricky engineering problem. The tanks and lines are welded. And because the tanks are full, the welds can't be broken to install new valves.

So the fuel oil trickles out, albeit at a slower rate than the interest on the loans required to finance the two projects.

On top of this there are huge exchange losses as the Japanese yen appreciates against the New Zealand dollar.

If the NZED's plan works it could mean some small return on the millions spent in one of the worst planning errors of recent years.

The week

Mugabe's fair move

TWO whites have been given the important portfolios of Agriculture and Commerce and Industry in Zimbabwe's new Cabinet. The 22-member Government will include 16 members of Premier Robert Mugabe's Nationalist party. Patriotic Front co-leader Joshua Nkomo was given Home Affairs and his party has three other Cabinet posts.

PRIME Minister Muldoon met with FOL president Jim Knox for the first time in five months, but the discussions failed to settle the Kinleith dispute. Meanwhile tradesmen at the Caxton paper mill in Kawerau successfully negotiated a core wage rate identical to the Kinleith strikers' demands. New Zealand Forest Products fears it will have to either cancel or defer export orders worth millions of dollars because of the shutdown.

A COMMISSION of inquiry will investigate all aspects of the DC-10 crash at Mt Erebus. It will not get under way until June.

A TEAM of four experts will investigate the alleged link between the cancer deaths of five Waikato University students and radiation from a university laboratory.

PRESIDENT Carter stands unopposed and Ronald Reagan is ahead in Southern United States primary elections. Edward Kennedy fared badly and seems to be out of the race. Gerald Ford might decide to take on Reagan.

AUSTRALIA is considering revaluing the dollar, which has gone up 0.8 per cent against a basket of currencies since January (excluding the US dollar against which it has dropped 1.1 per cent).

NEW Zealand Particle Boards gave 90 workers – half the workforce – at its Kumeu factory a month's notice. Unions are negotiating redundancy agreements with the management.

THE Tasman Pulp and Paper Company has agreed to pay substantially higher prices for wood from State forests. After a phasing-in period, Tasman will pay the Government $9.25 a cubic metre for three-quarters of the total volume of radiata pine sawn logs compared with $1.20 a cubic metre at present.

ROAD user charges will go up by 20 per cent on April 1 but sales tax on heavy commercial vehicles will be cut by half to 10 per cent.

THE Commerce Commission will inquire into the Stock Exchange Association's ban on sharebrokers opening branch offices following a recommendation by the Examiner of Commercial Practices to lift the ban.

THE Great South Basin could have a potential of up to 1200 million barrels of oil, according to the American Hunt International Petroleum Company. This claim puts New Zealand's oil potential level with Nigeria and Venezuela. The company has renewed its licence to explore the Great South Basin.

A FURTHER increase in US prime lending rates to a record 17¾ per cent has strengthened the dollar.

Business Week

Alcan New Zealand Limited reported a net profit of $2,886,000 for the year ended December 31 ($1,979,000 1978). A final dividend of 14 per cent is recommended, payable on May 1.

Associated Pulp and Paper Mills Ltd reported an unaudited tax-paid profit of $A6,037 million for the six months to December 31 ($A7,775 for last year's corresponding period). An interim dividend of 7c is payable on April 24.

Donaghy's Industries Limited will pay 14½ per cent on 8, 10 and 12 year stock for the year ending February 28.

Lane Walker Rudkin Industries Ltd increased unaudited tax-paid profit by 59 per cent for the year ended December 19, to $1,333,000. A final dividend of 9 per cent is expected to be paid.

Mainzeal Corporation won the contract to build the 253 room $14.5 million Auckland Airport Oakes Hotel for Government Life. Work is expected to start immediately and the contract is worth about $9 million.

Nylex Corporation Ltd reported a tax-paid profit of $A7,704,000 for the year ended December 31 ($A4,120,000 1978). A final dividend of 9 per cent is payable on May 2.

Printing and Packaging Corporation Limited reported an unaudited tax-paid profit of $1,451,000 for the year ended December 31 ($997,000 1978). An interim dividend of 6c is payable on April 24.

Rex Consolidated Limited has made a cash takeover offer for **Simon Metal Products Limited** (subject to the approval of the Examiner of Trade Practices).

Salmond Industries Ltd through its subsidiary **Talus Brushware Ltd** has purchased the general brushware operation of **Bunting and Co.** An estimated 170,000 Salmond shares have been issued to Buntings at a value of $1.85 each.

R W Saunders Ltd reported an unaudited tax-paid profit of $264,000 for the six months to January 19 ($220,000 for the previous corresponding period).

South British Insurance Co Ltd had a profit loss of 56.6 per cent in the six months to December 31 taking it down to $2,978,000 ($7,030,000 for 1978 period). Underwriting losses of $3,688,000 are to blame. An interim dividend of 10c is payable on April 22. The company is restructuring its Malaysian operations by entering into a joint venture with Malaysian-owned **Komplek Kewangan Malaysia Berhad** to form a new company, **Amanah South British Insurance.** Komplek Kewangan has shareholders funds exceeding $NZ60 million. Amanah South British will be 51 per cent owned by Komplek Kewangan and 49 per cent by South British.

F J Walker Limited reported a tax-paid consolidated operating profit of $A3,527,000 for the six months to December 31 ($A3,769,000 for previous corresponding period).

Wattie Industries Limited and **Amatil of Australia** accepted the **Henry Jones** offer for the **Wattie Piet** frozen vegetable operations in Australia.

Wormald International NZ Ltd's profit for the first half of the financial year fell by 17.7 per cent to $469,000. An interim dividend of 6 per cent is payable on March 19.

A correction to our March 10 column: **Associated British Cables** had a tax-paid profit $1,172,902 (not pre-tax as stated).

Economic indicators

THE New Zealand dollar [illegible] by 0.5 per cent in Febru[illegible] the second biggest [illegible] after the 0.55 slip in Janu[illegible] and a drop of 3.3 per cent [illegible] last year's Budget in [illegible] when the dollar was deva[illegible] by 5 per cent.

THE trade deficit was [illegible] at $493 million for the ye[illegible] January, an increase of [illegible] than 27 per cent on the [illegible] for the year to January, 1[illegible]

FOOD prices increased [illegible] per cent in the year to F[illegible]ruary and by 1.8 per c[illegible] from January to Febru[illegible] The main section respo[illegible] for the 25 point increase in [illegible] food group index of the [illegible]sumers Price Index was [illegible] products which went u[illegible] points (milk constituting [illegible] points alone). Meat p[illegible] figured lower in the scale [illegible] a 2.1 rise. Bread, biscuit [illegible] cake prices went up 1.4 p[illegible] other grocery foods we[illegible] 1.8 points; soft drinks we[illegible] 1.4 points; sweets, d[illegible] nuts went up 1.5 [illegible] (chocolate accounting [illegible] point of the total). Fr[illegible] and vegetables went [illegible] 2.7 points.

The week ahead

MONDAY: Meat Ret[illegible] Federation annual con[illegible]tion in Auckland.

Painters' contractors c[illegible]ference in Nelson.

F & G Mutual Life [illegible] managers' conference [illegible] Christchurch.

TUESDAY: Trade and [illegible]dustry Minister Ad[illegible] Schneider will lead [illegible] Zealand delegation to [illegible] session of Economic [illegible] Social Commission for A[illegible] and the Pacific (ESCAP) [illegible] Bangkok, until March 29.

WEDNESDAY: Vacati[illegible] Hotels Ltd annual gene[illegible] meeting in Auckland.

THURSDAY: Muldoon [illegible] Fraser talks on closer Tasm[illegible] ties in Wellington.

Gear Meat Co Ltd annual general meeting in Welling[illegible]ton.

Institute of Electrical [illegible] conference in Invercargill.

Exchange Rates

As at March 13, 1980 [illegible] is worth:

Australia	[illegible]
Britain	[illegible]
Canada	[illegible]
Fiji	[illegible]
Japan	[illegible]
West Germany	[illegible]
USA	[illegible]
Austria	[illegible]
Belgium	[illegible]
China	[illegible]
Denmark	[illegible]
France	[illegible]
Greece	[illegible]
Hong Kong	[illegible]
India	[illegible]
Italy	[illegible]
Malaysia	[illegible]
Netherlands	[illegible]
New Caledonia & Tahiti	[illegible]
Norway	[illegible]
Pakistan	[illegible]
Papua-New Guinea	[illegible]
Portugal	[illegible]
Singapore	[illegible]
South Africa	[illegible]
Spain	[illegible]
Sri Lanka	[illegible]
Sweden	[illegible]
Switzerland	[illegible]
Western Samoa	[illegible]

South Island tourist interests tout for casino

TOURIST interests have come up with a firm proposal for a Christchurch casino.

A group from the National Travel Association will present its proposal to a gathering of politicans and the media on Wednesday.

The association wants a hotel casino complex built in Christchurch incorporating entertainment and convention facilities as a regional development project.

The managing director of Australia's only casino operator, Federal Pacific Hotels, has been invited to the presentation.

The casino proposal comes from a National Travel Association committee formed at the association's last annual convention in Queenstown last June.

The committee includes casino advocate Lord Bolingbroke, a Christchurch travel agent, South Island Promotion Association leader and Christchurch entrepreneur Murray Hunter, and Air New Zealand general manager (commercial) Matt Ramsden.

The committee was given a brief to study entertainment facilities in New Zealand tourist centres. But the meeting was left in no doubt that the real purpose was to mount a case for a casino.

Co-incidentally with the heavy South Island representation on the investigating committee is Federal Pacific's preference for either Auckland or Christchurch as a casino site.

But Federal Pacific has told *NBR* that New Zealand is not high on its list of priorities for the establishment of a casino.

The company is building a second casino-country club complex in Launceston, in North Tasmanua. It also has plans well advanced for two casinos in the Northern Territory and is a front runner for casino licences which could be issued in New South Wales and Victoria this year.

Company spokesman David Nicholson told *NBR* in January that Federal Pacific had no present plans to enter here. Nicholson insisted the company was cautious about accepting the association's invitation in case it gave the impression that Federal Pacific was touting for business.

But the Christchurch interests seems to be looking to Federal Pacific as the most logical operator for any casino. It has a proven track record, and a high standard in the travel industry as operator of the Wrest Point casino.

Another likely developer is Lion Breweries, which expressed interest in a casino several years ago. Its increased participation in tourist and development would be welcomed by the industry.

With the South Island tourist plant supposedly languishing through lack of international flights, high domestic air fares and the competitive attractions overseas, the success of Wrest Point is an attractive model to emulate.

Unlike other accommodation proposals, a casino would offer an attractive return on capital which could entice other developers into the arena.

The Christchurch proposal asks the Government to plough its tax take back into tourist development and promotion.

But the Government – officially at least – has been enthusiastic about the introduction of casinos.

Internal Affairs Minister Allan Highet has ruled out casinos on several occasions. Tourism Minister Warren Cooper, however, has made known his support.

The NTA concedes that it has had no indications that any change of policy to allow casinos is being considered.

Ambivalence goes agin status quo

THE Retailers' Federation put the rubber stamp on its change of stance on Saturday at its annual conference in Wellington last week.

For some time the federation has been running with the hares – the Shopworkers Union, former allies against extended shopping hours – and hunting with the hounds – a section of the public increasingly served by renegade retailers outside legal trading hours.

The motion passed at last week's annual conference recorded the federation's ambivalence. It recognised "apparent" changes in public and industry attitudes to Saturday shopping. It took the line that needs would accord to different geographical areas.

Recognising that the *status quo* is unlikely to continue for much longer, the federation acknowledged "that the interests of all staff must be adequately protected and the principle of the 40-hour week maintained".

In line with their view that needs will differ geographically, the retailers have thrown the question out to associations to discuss on a regional basis.

The regions have been asked to look at the financial and other implications of more flexible trading hours, and how any changes could be implemented.

The response could be described as an answer to the challenge issued last month by Rob Campbell, advocate for the Shop Employees' Association.

A national ballot of union members was held to get their views on Saturday trading. Campbell challenged the retailers to do the same.

The unionists also took a granny-step in the direction of extended trading. Although 98.5 per cent of the 6500 who voted were opposed to any extension of hours, a majority favoured the option which left room to negotiate on the matter.

Allan McKechnie, president of the Retailers' Federation, called on delegates to the conference to consider "industrial co-operation" with the shop employees.

And the union, in a pamphlet distributed at the conference, said that there was an urgent need for the two parties to develop a strategy for a stable industry, of which shopping hours would be a part.

Appeal Court ruling sought

THE Labour Party will seek a declaratory judgment from the Appeal Court next month on whether marking ballot papers with ticks or crosses is legally acceptable.

Last year the Hunua Electoral Court, which overturned the election of Labour's Malcolm Douglas and declared National's Winstone Peters elected in his place, ruled out ticks and crosses.

In the Hastings magisterial recount, ticks and crosses had been allowed.

The Labour Party has been encouraged by Internal Affairs Department advice to local authorities that in local body elections this year returning officers should be lenient, while not ignoring the Hunua decision.

The party last year issued an originating summons in the Supreme Court for a declaratory judgment on the statutory interpretation of sections 106 and 115(2)(a) of the Electoral Act – the sections dealing with the method of voting and the discretion oa returning officer has to allow a vote if the voter's intention is clear and his vote otherwise regular.

This summons was removed to the Appeal Court and a hearing is set down for April 21.

The week

Mobil factor complicates methanol plant decision

by John Draper

THE Cabinet Economic Committee nearly gave BP the Christmas present it wanted, the contract for a 2000-tonne-a-day methanol plant.

At its last meeting before Christmas, *NBR* understands, the committee gave Prime Minister Rob Muldoon and Energy Minister Bill Birch authority to sign a statement of intent with the consortium.

But *NBR* understands Petrocorp produced figures at the very last minute to show that its partner, *Alberta Gas* and Chemical, could build a more efficient 1200-tonne-a-day plant.

Muldoon and Birch despatched a two-man team to Canada to investigate while officials went through their *calculations again.*

The Mobil factor is now complicating the decision.

On March 10, Mobil's board *in America was supposed* to decide on whether to accept the conditions the Government wants met *before proceeding to the next* stage of designing the first full scale synthetic petrol plant in Taranaki.

Mobil executives *have* been talking with both consortiums on their proposals, and the common elements between them and the two methanol plants which Mobil will need for making the feedstock for its synthol process.

Theoretically, three identical plants will be simpler to build, maintain and operate. Mobil wants two 2000-tonne-a-day methanol plants, the same size as proposed by BP for the stand-alone plant.

As *NBR* went to press it was still unclear as to what decision Mobil's chiefs had taken, though it is unlikely they would turn down an opportunity to develop their technology at New Zealand's expense.

Meanwhile Petrocorp's late intervention over Christmas has enabled the Government to negotiate other parts of the eventual contract for the stand-alone plant, including the eventual gas price.

By *itself*, the gas price is not that important, but the conditions of sale are.

Three points are being *considered:*

- At what point do the take or pay provisions apply. The Government wants the level at *90 per cent although normally* it is 66 per cent;
- When do price escalation clauses take effect — from when the agreement is signed, from the time the plant is commissioned or when the plant is paid off?
- There is the question of at what point the windfall gas price increases are calculated. The Government wants it to be at the well head, benefitting the Maui partners. Several *other factors involving* prices are also being studied.

New Zealand's comparative political stability means *that it can afford to demand a* premium price in long-term contracts for the sale of methanol and the gas input.

And the higher margin can outweigh the advantages other countries such as Indonesia may have in lower freight costs.

Davy International has signed a contract with the Indonesian Government to build a 1000-tonne-a-day plant.

A Japanese consortium, Nissho-Iwai and Marubeni, are reported to have agreed to take 200,000 tonnes a year, *Georgia Pacific of the United* States, 80,000 tonnes, and Chan Chung Taiwan 50,000 tonnes.

Between them, the buyers will take 70 per cent of the equity in the ratio of their offtakes.

Davy *International was the* Liquid Fuels Trust Board's advisor on methanol plants and is BP's consultant.

Alberta Gas's greater plant efficiency achieved by its own modification to the standard ICI process is not disputed. But *NBR* understands there are doubts that the greater capital cost is worth the extra efficiency.

From the national viewpoint, Petrocorp's bid has not been in vain. Since the Cabinet Economic Committee's decision last December, BP's proposal has been *radically altered* as the plant seemed to slip from its grasp.

And although the Petrocorp-Alberta Gas joint venture may be bitterly disappointed if the Government fails to give it the prize it badly wants, *NBR* understands that in Government circles at least, the view is that Petrocorp has done the country a service by its persistence.

Even so, the Government's long-awaited decision on who should build a stand-alone methanol plant may be delayed for a year.

Due in December, the decision is already three months "late".

But the go-ahead for either scheme now would almost certainly mean embarrassment in the lead up to the 1981 election as the consortium struggled to use the fast track National Development Act.

Beer imports cause ferment among local brewers

by Rae Mazengarb

IMPORTS of Australian strong beers — being sold last week *in Wellington* for less than some New Zealand canned beers — are upsetting local breweries.

The imports are said to be hurting the sales of locally-made beer.

Leopard Breweries Ltd reported a sales down-turn of 26 per cent in January this year, followed by a dramatic 51 per cent drop in February.

A company representative attributed those figures to the exemption from import control of the higher alcoholic beers from overseas which took effect on January 1.

By comparison, for the previous nine months to December, sales levels had been up 13 per cent, he said.

The lifting of import controls on a type of beer which comprises some 3 per cent of total beer sales in this country was undertaken under the GATT agreement.

In exchange for concessions obtained for New Zealand products under the European GATT agreement, the Government agreed to exempt the higher alcoholic beers — not broadly competitive with local beers — from import controls.

That concession extends to certain Australian beers. But it is the canned beers which are causing the breweries to grumble.

The managing director of Lion Breweries, John Macfarlane, told Radio New Zealand's "Checkpoint" that the future for local canned beers was "gloomy".

He declined to discuss the issue with *NBR*, but referred us to his "Checkpoint" statements.

Some Australian cans are being sold here more cheaply than the New Zealand counterparts.

But Macfarlane said this was possible simply because of the lower cost of packaging in Australia.

Australian aluminium cans were half the cost of cans made locally, he said.

Allowing for extra freight costs, the product could be exported to New Zealand for less than the cost of producing canned beers here.

Local breweries were competing on an unequal footing with Australian manufacturers, he said.

Responding to allegations from brewery representatives and unions that overseas beer would be dumped in New Zealand, Trade and Industry Minister Lance Adams-Schneider said early in January that the Government would be watching the situation carefully.

Explaining that the exemption was part of an exchange of trade concessions under the GATT agreement, he said, "If the production of New Zealand beer is seriously threatened there are adequate safeguards to enable the Government to take quick and effective remedial action."

He pointed out that for such action to be taken, there would have to be clear evidence that material injury was being or would be incurred by the domestic industry.

Import control had been removed only from a type of beer which represented no more than 3 per cent of total beer sales in New Zealand, he emphasised.

A spokesman from Adams-Schneider's office last week told *NBR* that imports of Australian beer for the January month were 280,997 litres, rising slightly to 311,208 for February.

Those figures — although representing only about 1 per cent of the total beer market — represented one-third of the total canned-beer market.

Australian beer imported in January last year totalled 103,217 litres, and in February last year, 51,380 litres.

It is the canned beers which the breweries want excluded from the GATT concessions.

Comment

Editorial

TRADE unionists – concerned at the fast-rising cost of living as they press for higher wages – should be cheered by the news that cheaper beer has become available.

But it is imported, and the Brewery Workers Union is worried that the decision earlier this year to lift import controls on high-alcohol beers will harm their industry and cause unemployment.

They wanted to black-ban imports, but held off from direct industrial action when the Government agreed to monitor the amount being brought into the country.

The exemption of the high-alcohol beers from import control was part of an exchange of trade concessions "designed to create additional and valuable opportunities for exports of New Zealand goods," Trade and Industry Minister Lance Adams-Schneider explained in January after meeting with disgruntled brewery and union representatives.

If the production of New Zealand beer was seriously threatened, there were "adequate safeguards to enable the Government to take quick and effective remedial action," the Minister said.

And if there were signs of a trend in imports developing which could seriously threaten the brewing industry, the Government would "immediately consider taking emergency action to counter that threat".

But first it would need the evidence that imports were harming the domestic industry.

The department had investigated allegations at that time that overseas beer was being dumped here, but could not substantiate them, the Minister said.

Nor was there any evidence there would be a flood of stronger beers or that there was a large unsatisfied demand for such beers.

Furthermore, the import controls were removed only from one type of beer which represents no more than about 3 per cent of total beer sales in New Zealand.

The main type of beer produced by our breweries continues to be protected by import licensing.

Last week there were signs that the controversy over beer imports would erupt again.

Some Australian cans were selling in Wellington pubs for 70c, compared with 80c for New Zealand cans.

And figures from Leopard Breweries showed that its canned beer sales were significantly down in the month of February – Leopard directors blamed the imported competition.

The realities of international trading, of course, require not only that we export goods, but also provide other countries with opportunities to sell to us.

New Zealand obtained concessions in the GATT multilateral trade negotiations which should be of significant value to the country's export industries, and thus benefit other sectors of the economy, as Adams-Schneider has pointed out.

The hard-won benefits gained in the GATT negotiations would be jeopardised if New Zealand withdrew a concession which it had agreed to provide with no justifiable grounds for doing so.

The major competition for the breweries is coming from Australian beers.

A prime cost in beer is the packaging, and Australian cans – made of lightweight aluminium – can cost half as much as New Zealand cans.

Manufacturing aluminium cans here has been ruled out because the volume of cans required for setting up a plant exceeds the market demand.

Brewery chiefs want the GATT provisions restricted to bottled beer. And if canned beer must be imported, then they want the right to import cans from Australia for their packaging.

On that score, they seem to have a sound argument.

The aluminium cans are not only lighter and cheaper; they also have the environmental advantage of being easily recycled.

Bottles of differing shapes and sizes from overseas would be unusable except for melting down.

There's an irony in the Australian push into our market.

Just a few months ago, New South Wales Government politicians rallied in support of the home-brewed product when the promotion of New Zealand Steinlager Beer was announced in Sydney. The attack was launched against the strength of our beers (the imports were "a dreadful gesture to the carnage on the roads" said one state Minister).

The Australians, in fact, had been misled into believing our beer was stronger then their beers, as they moved to amend the Pure Food Act to keep such liquor away from Aussie consumers.

On the home front, complaints from the breweries about the cheaper imports are unlikely to generate too much public sympathy. The consumer is better off with the choice, after all.

The breweries themselves are exporting... And both Lion and Dominion Breweries... agents for the imported beer.

But the home market is shrinking.

In the past four years beer sales have dropped by about 15 per cent from a record 413 million litres in 1975 (the fall-off exacerbated by the ... per cent sales tax on beer introduced in ... year's Budget). As sales go down, prices rise ... generate a degree of consumer resistance.

But there is a marketing question mark ... brewery operations.

Last October, the Examiner of Commercial Practices, Gordon Stringer, found the brewers' practice of supplying hotels direct but charging through a wholesaler – who takes a mark-up without handling the order – to be against the public interest.

And last week the liquor distribution system and price-cutting endeavours by independent traders were being scrutinised by the Commerce Commission's substantive hearing into the alleged refusal by Philips and Pike Limited, Wellington to supply certain spirits to ... Wines and Spirits Ltd, of Westport, except on deterrent terms.

Beer brewing has been one of the country's most protected industries. Total production is about 400 million litres a year. Imports in 1978/79 totalled a mere 1.3 million litres ... excess of protection seems to be one reason ... Labour's Roger Douglas, who has said ... beer costs nearly three times as much as ...

A good dose of competition could be just what the industry needs.

– Bolth

Without word of a lie

Diners Club appetites whetted

AS the Grim Tax Reaper chops liquidity short, Broadlands has come out with a personal loan offer that no one can accept.

Four thousand dollars in 60 minutes available to Diners Club card holders as a personal loan from Broadlands, an advertisement in *Signature*, the Diners Club magazine, proclaimed.

Trouble is the offer expired on January 31, or so the ad said. And the ad appeared in the February issue of *Signature*, perhaps just to let the reader know what he missed out on.

Erebus sends world victim total soaring

AIR New Zealand's loss of a DC10 and all on board over Antarctica sent the number of airline crash victims soaring by 32 per cent last year to 1267.

Overall, the number of crashes dropped from 27 to 20 but the number of victims was up by 305, the London-based aviation Journal *Flight International* reports.

The worst accident involved an American Airlines DC10 which crashed on take-off killing 259 passengers and 13 crew.

Mount Erebus claimed 257 lives from an Air New Zealand scenic flight and two Aeroflot Tu 134s colliding in mid-air were responsible for the deaths of 173 people.

Flight International says the year was dominated by the Chicago accident when the left engine and pylon assembly fell off the American Airlines plane just after takeoff.

"Chicago showed, as had previous disasters at Tenerife and Paris, that accident investigation can quickly become clouded by the commercial efforts of interested parties to avoid liability," it says.

First reports of DC10 crashes in Antarctica and at Mexico City indicated that the aircraft were at fault *Flight International* says.

"In practice, enough has been published about these accidents for the aircraft to be wholly exonerated from blame. Human rather than technical fallibility will carry the responsibility."

Brockie's view

Watery wine seldom conforms to the label

WHEN it comes to misleading labels, the *Listener* beats Brother Dominic into a cocked hat.

Eager to read the *Listener's* story on the watering of New Zealand wine, promised on the cover of the March 8 issue, wine buff turned to page 18. What – no wine? Then she realised she had been sold an old wine in a new bottle – the previous week's *Listener* in the current week's cover.

Being airborne at the time, the reader couldn't take it back, and had to make do with Air New Zealand's even more out-of-date selection of literature.

It was all news to the *Listener* office in Wellington, which – when the inquiry was made – hadn't received any complaints. But apparently the slip-up had occurred at the publishers, Wilson and Horton in Auckland.

Misdirected blow at disruption?

"LET'S try a bit harder to work together ... to overcome the disruptive influences that are always present in New Zealand."

That was the rallying cry of Deputy Finance Minister Hugh Templeton the other day – but did he have to go all the way to Auckland ... direct his words at the New Zealand ... Importers and Exporters, when ... been more appropriately directed ... the Beehive?

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Comment

The pursuit of excellence

by Barrie Leay

OF all the characteristics that New Zealand will have to develop in the next two decades, excellence should be our priority.

Excellence is probably the opposite of the "she'll be right" attitude that bites deeply into the culture of the past. Fortunately things have been changing rapidly in recent years, and this society's great flexibility and mobility has allowed excellence to emerge in a constantly rising tide of products and services that are gaining international recognition.

Perhaps we should start by recognising our greatest cultural contribution to the world so far – the excellence of our athletes. This country has had extraordinary success in athletics, rugby, rowing, hockey, sailing and – who knows – we might even have made it in cricket.

By comparison, our neighbour Australia has nosedived from being the third highest gold medal winner in the 1956 Olympics to winning no gold medals in 1976.

If we extend our sporting prowess to horse racing, we have a track record of incredible success. In Australia, New Zealand horses have dominated for so long in the winnings that most people say, "so what." The significance is that Australia this year is breathing down France's neck as the third-richest money honeypot in the world, behind the United States and Britain.

In Australia, New Zealand has absolute dominance compared with a single nation's position in Europe.

Why do we do so well, not just with horses, but with other livestock, both cattle and sheep and now deer? The answer is complex. We have magnificent weather with a superb balance of sun and rain. We have developed high technological inputs in pasture management, animal husbandry and genetic breeding. So good in fact that in a recent international trial in Poland of Fresian breed dairy cows, local stock came out best in almost all tests conducted.

Herein lies one of our greatest skills and strengths for the future. Our excellence in breeding has advanced us to the position of world leaders in the new technology of embryo transplant and embryo freezing.

Recently I read in a German magazine that a German University had successfully achieved an embryo transplant with cattle, and that it was a great technological breakthrough.

In New Zealand this technology is no longer experimental. It has been practised for several years and thousands of top-performance animals are on local farms and have been exported to Australia and other countries in large numbers.

New Zealand's excellence in this technology will put us in a magnificient position as a disease-free quarantine station for the countries of ASEAN, China, Northern Asia, Latin America – indeed, all the rapidly developing Pacific rim countries which are the great growth centres of the world in terms of population and dynamic economies.

We can, in fact, become in cattle and sheep what we have become with horses, world-class producers of elite stock, while still being the world's lowest-cost producer of protein for mass consumption products.

And what of the other products of our labours? Most of us have only a vague notion of our excellence in this area. Our native and exotic timbers, which we can plant and grow as well and as quickly as anyone in the world, have a *very exciting future if we maintain the highest* standard of ecological environment, nutrition and processing.

In horticulture we have begun making other advances towards excellence.

Apples particularly Granny Smith and Cox Orange, have long been the Rolls Royce apples of Europe.

Now their supermarkets are familiar with increasing trays of kiwifruit. We produce superb nectarines, apricots and plums. Our berry fruit, although small in quantity are excellent in *quality and are of a world class standard.*

The tertiary use of our pastoral production in milk product derivatives continues to expand. In wool, we are making a great impact with carpets, fashion and ski wear. Sheepskin clothing and products are making good progress at the top end of the market. Even our previous noxious enemies, the possum, rabbit and deer look like being high fashion friends with their fur, hide and extremities.

We tend to take for granted our excellent environment that is so green, clean, pure and unpolluted, and the magnificient endowment of climate, land and sea. In the last few years we have begun to recognise the excellence of our resources of clean, pure water in great abundance *for farming and power generation* and the richness of our energy resources in gas, coal and geothermal energy.

But the real test of our excellence is our people, our culture and our ability to harness our potential.

There are a growing number of people, such as Harrison Brown, saying, "modern industrial civilization is in mortal danger.

"There are many ways in which its demise might come about. We must realise that should this happen, for whatever combination of circumstances, a comparable level of civilization will probably not be achieved again. One reason for this is that the resource base for a second emergence will be inadequate since most really high grade supplies of energy and minerals have already been consumed.

"The technological requirements for a second emergence would be very large. As long as our industrial society remains intact it can continue, in principle, into perpetuity.

"But should it stop functioning it probably will not re-emerge. The real tragedy of such a regression would be that we would have failed to *realise our full human potential.*"

Our challenge is a cultural challenge. To shape the society over which we have sovereignty, to conserve its resources, enrich its products and create new human patterns, potential and satisfaction.

We have none of the terrible excesses of other societies – the starvation, poverty, thirst, fear, repression or autocratic power.

We are a free, balanced, mature society with equality of opportunity to express ourselves and our individualism in any way we choose. No other people in history have been as lucky as the 1980s vintage New Zealander.

If we begin to apply our creativity, our ingenuity, fairness and initiative to our opportunities for excellence, we can make even greater valuable contributions to "spaceship earth."

In areas like microelectronics, we could, if we choose, apply the extension of intelligence to the human mind as effectively as Britain 200 years ago applied steam to the human muscle when triggering the Industrial Revolution.

Our children, now in school, have an understanding of the fantastic possibilities of thinking on planes of thought able to embrace the whole of human knowledge, where access to the world's great store of knowledge would be available at will from our own homes.

We can develop systems of learning and retraining for life-long education in a way neverbefore possible that give everyone who wants it the chance for second, third and fourth career, whenever they choose.

We could lead the world in energy conservation by taking information electronically to our homes, instead of taking people to crowded offices and factories and thus burning up diminishing energy resources.

In all these potential areas of excellence, we will suffer from culture lag. The disbelievers and Luddites will say: "Nay, she'll be right as she is." The culture change we need is an understanding of our unbelievable potential, and a willingness to work together to attain the best standard of living and quality of life attainable anywhere on *earth, for every person who wants it.*

Rapid change brings tensions and fears, especially from those who feel deprived or feel about to be deprived. There is no ill will to the deprived in this country, in fact, quite the reverse.

We are talking about the cultural change of the concept of work as drudgery to a concept of excellence in life and lifestyle.

Car costs carried by consumer

by Warren Berryman

THE Government's laudable justification for shaking up the clothing and textile industry was that the local consumer was subsidising jobs to the tune of $130 a household each year. The cost of keeping each clothing and textile worker employed was $6800 a year.

Great stuff in the previously neglected interests of the Kiwi consumer. And not a bad move in the direction of increased efficiency and a *more rational allocation of labour and capital.*

So when is the Government going to get stuck into the automobile industry in the interests of those same consumers?

Import licensing and other forms of protectionism in the car industry create some huge profits for favoured few licence-holders and guarantee jobs for people who contribute little or nothing to our balance of payments.

The Mazda 626 is imported from Japan fully made up, freight, local duties and sales tax paid, and mark-ups taken, to sell here for $10,000 – that is, $10,000 for a car equipped with extras not available in New Zealand.

The same 626, locally assembled, without the extras, sells for from $10,450.

Why? Because the knocked-down cars bought from Japan cost more than fully made up cars. Foreign car-makers would rather avoid the hassle of shipping a car in bits just so the New Zealanders can put it together. And their prices reflect this.

So why not just import all our cars fully made up? Because, the car lobby will tell you, jobs are at stake.

But how much is the consumer being hit to keep these people in jobs?

Japanese consumers can buy retail a Mazda 626 for $5500. Here it costs an average $10,000 plus.

A Japanese can buy a Mazda 323 for $4230. Here the car costs about $8000.

At best, a local car assembler can get only about 5 per cent off the fully made up car price for non-assembly, plus deductions for items not in the CKD pack.

So, all the labour employed locally in car assembly is worth only about 5 per cent of the imported price of the car. About half the retail value of a car sold in this country goes to the Government in tax and duty.

Then there are the markups based not on the value of the car itself, but on the value of the car plus duty and sales tax.

So where is the value of the local labour content of a car assembled in New Zealand? It could never be justified in an economic sense, as the World Bank pointed out to us some years ago.

But it keeps the car workers off the streets – at the consumer's expense.

High car prices also push up wage demands by workers in other industries making them less competitive in world markets, thus effecting the whole economy.

Every New Zealand businessman buying a car at two to three times the world price is adding to his overheads and making himself less competitive in world markets.

Efficient local industry is subsidising a motor industry that, because it can never achieve economies of scale providing fully made up cars of more than 100 varieties for this tiny market, must always remain inefficient.

Apart from business and consumer interests, there are foreign trade implications.

New Zealand is interested in developing trade with Japan while constantly harping about Japan's protectionist policies.

But New Zealand complaining about Japan's protectionism is like the pot calling the kettle black.

In the interests of our erstwhile trading partners, the British, a preferential tariff is levied on british cars and a penalty rate imposed on Japanese cars.

This duty differential is magnified by the time markups on the car price plus duty carry on to the wholesale end where sales tax is imposed on car price, markups, and duty combined.

The greatest cost occurs after the consumer has his car and needs spare parts. It is here that the multi-nationals, rather than local companies, get the lion's share of the spoils.

New Zealand is not buying its spares from the cheapest sources of supply.

Import licences were dished out 30 years ago, and for the most part new licences are issued only to those with a past history of licence holding. Those Government-favoured holders of import licences are the last people expected to rock the protectionist boat that has carried them to riches.

Thus it will be interesting to see what government's *interdepartmental inquiry* into the automobile industry turns up when they report in June.

Will this inquiry follow the Industries Development Commission and consider the consumer's interest and the interests of the economy as a whole as well as listening to the bleatings of the automotive pressure group?

Or like the politic turtle, will it plod through the ineffectual flak from a few voiceless consumers in the direction set by the powerful motor industry lobby?

Letters

BCNZ for all the country

I WRITE to express the hope that you are right as far as you go in describing television's reorganisation as "Television the way National called for it" (*NBR* February 25). The article contained some pretty big clangers on matters of fact, but I realise that it could only be as reliable as its sources.

But I really do hope you are right about National. But why did you stop there? One of the major contributors to our thinking for Television New Zealand was from another politician from the other side of the fence. I quote him on the now-changed system from a speech he made to broadcasting staff on June 24, 1978:

"I see a system that is hell-bent on networking itself out of the community . . . Telethons and birdman competitions and five minutes of local news a night do not, in my view, represent the necessary range or degree of genuine community involvement . . . people are increasingly demanding more community control and are cherishing their local differences . . .

"This leads me to the area of local news programming and local news support programmes, which seem to have become the Cinderella of the whole system . . . There appears to be no commitment to produce in-depth, community and regional material. And, that, to quote a well-known up and coming politician, is 'a bloody great step backwards.'

"It is my firm view that local news and local news support programmes are in their own way every bit as important and valuable as current affairs or network news programming."

Now that was the Leader of the Opposition, Mr Rowling, and what he said made a great deal of sense to the BCNZ. So much so that regional programming is the single greatest change in the re-organised system, as will be quite apparent from March 31.

So that, on the basis of your reasoning, is "television the way Labour called for it." But what about Social Credit? Well, we have had some talks with Bruce Beetham and Les Hunter over the last few years, and I think that, by and large, we have their goodwill.

Why stop there though? Politicians, good chaps though they are, are not the be-all and end-all of broadcasting. The Churches? Yes, we've had meetings with representatives of the leading Churches and I think they subscribe to our good intentions. The Arts Council have praised those same objectives. We're having talks with educationists, and you may expect some developments there, too, which will be seen as progress. Some of our mayors are a bit dubious, and Michael Fowler, of Wellington, is openly sceptical; but, in a few months, I have hopes that he will see the light.

I'd better stop here, because the categories of people we want to please is really endless. The burden of my complaint to you is that your story did not go nearly far enough. Frankly, "Television the way National called for it" is nowhere near sufficient. It must be the way the whole country calls for it. That's what the BCNZ is working toward.

Ian Cross
Chairman
Broadcasting Corporation of New Zealand

Migration reversal

YOUR Economics Correspondent (*NBR*, February 18) produces a misleading graph. The heading says: "No matter how you measure it, the number leaving the country is still growing". The graph shows annual figures, and obscures changes which have taken place in the last few months.

Briefly, there has been a significant improvement since October in both net permanent migration and net total migration. In December 1978 there was a net loss of 468 migrants, and in December 1979 the provisional figures show a net gain of 300 migrants.

Admittedly, December is always a low month, and in any case it is much too soon to say that there has been a reversal of the trend. Nevertheless, it is quite misleading to say that at the present moment the situation is getting worse. It is not.

Your correspondent will no doubt be interested in another set of figures — that of net private capital flows. In the last quarter of 1978 there was a net outflow of over $100 million, while in the last quarter of 1979 there was a net inflow of nearly $100 million.

Both these sets of figures reflect a growing confidence in the future of New Zealand, brought about in no little part by decisive Government decision making.

Incidentally, why does your Economic Correspondent, unlike some of your better writers, not sign his name?

Ian McLean MP
Parliament House

WONNAC lobby

HEARTENED by the news that the Minister of Justice, Jim McLay, has been critically examining what his department does and that he is proposing to end, hive off or modify a string of functions (*NBR* February 25) WONAAC is optimistic that the Minister's scalpel will fall on that part of his budget set aside to service the activities of the Abortion Supervisory Committee.

As Dr Erich Geiringer so elegantly argues in "Lex Augusta" and as WONAAC has claimed on numerous occasions the committee has failed in its duties. Surely it is high time responsibility for the operation of the abortion service was assumed by the Government and the day to day supervisory functions assigned to the Department of Health.

WONAAC is, incidentally, disturbed that we have been placed along the continuum now bounded by SPUC and ALRANZ (*NBR* February 25).

Admittedly our recent activities — lobbying for a private member's bill to repeal all abortion laws, talking to the spokesperson on Women, writing submissions to and appearing before the Abortion Supervisory Committee — do bring into question our claim to be a radical feminist group.

However these activities should be seen as versatility rather than respectability. We have not abandoned mass action tactics and our banners and voices will be in evidence if and when the 1980 Parliament opens.

So please don't write off the "lunatic fringe" — we are the most active of the liberal abortion groups and we intend to stay that way until repeal of all abortion laws is achieved.

Fiona Lassen
Women's National Abortion Action Campaign
Wellington

Post Office loans

THE decision to raise interest rates on Post Office loans for housing deserves study, as its effect will be a predictable fall in economic activity.

If we assume loans of $20,000 for 25 years with quarterly rates, Table I gives the weekly cost of a mortgage for different rates of interest.

But if we start with interest at 4 per cent and the rate of interest increases without an increase in wages, borrowing power is reduced by high interest charges. (see Table II).

Table II shows that raising the rate of interest from 11 per cent to 12 per cent reduces by 7 per cent the loan that can be purchased for one hundred quarterly payments.

The third table gives the interest paid on a loan of $20,000 for 25 years (table mortgage).

In the case of a loan raised through a solicitor it is probable that 40 per cent of the interest paid will be taken in tax by the government. Table IV gives the number of hours that must be worked to pay the tax on not inheriting a home.

High interest rates have only two purposes; to encourage speculation in doubtful ventures or to depress economic activity in "safe" undertakings. At the moment we are facing a recession and Government is acting on advice that prices labour off the market.

C T Reid
Chairman
Papatoetoe South Branch
National Party.

TABLE I

Interest Rate per cent	Weekly Cost	Relative Cost
4	24.41	100.00
6	29.80	122.08
8	35.70	146.25
10	42.02	172.14
11	45.31	186.62
12	48.69	199.47

TABLE II

Interest Rate per cent	Loan for $24.41 a week	Relative Loan $
4	20,000	100.00
6	16,380	81.90
8	13,680	68.40
10	11,620	58.10
11	10,780	53.90
12	10,030	50.10

TABLE III

Interest Rate per cent	Interest $	Relative Interest
4	11,733	100.00
6	18,740	159.70
11	38,903	331.60
12	43,297	369.00

TABLE IV

Interest Rate per cent	Take-home Pay		Relative hours
4	1560	1170	100
6	2500	1870	160
11	5190	3890	332
12	5770	4330	369

Politics

Is there some method in this madness?

by Colin James

SO the guys at Caxton get the same as the guys at Tasman without any fuss. Presumably that is because they were not being run by any of the 200 or 300 communists Warren Cooper thinks are sticking the knife in while New Zealand is "fighting for its survival".

Fighting for its survival? I can just see the slogans:

"... in the pubs, on the golf courses, in front of our colour televisions — we shall not surrender."

Or, if you are of a different persuasion: "... on the shop floor, under the bulldozers and in the students cafe — we shall not surrender our green and pheasant land to the multi-nationals."

Or: "... on the hustings, in the law draftsmen's offices, round the Kohimarama cocktail circuit — we shall not surrender to the Socialist Unity Party."

To be fair to Cooper, there is a sense of mission in the Government these days — the development of a strategy to make us richer.

There is a recognisable consistency in the attempts to get real control of Government spending, the determination to relax the grip of the central bureaucracy on everything that moves in the economy, the clearing of decks for rapid industrialisation and exploitation of our energy resources.

But one could be forgiven for wondering where its special brand of industrial relations management fits into this. It is usually held as axiomatic that the most promising way of obtaining change is through cooperation.

The Kinleith interference makes no sense economically, since the cost of keeping the strike going far outweighs the cost of paying up.

It makes no sense in industrial relations terms. One group of workers is being denied by Government fiat, parity with two other groups doing closely similar work.

And it is not just some piddling little union of no account whose nose is being put out of joint. It is that august (?) body, the Federation of Labour.

This is hardly a recipe for peace, harmony, goodwill and commonsense, for respect for the rules, for cooperation in this survival battle.

Are you one of those who has been wondering whether the Government really wants that peace, harmony, etc?

After all the hoo-ha, and even some dialogue, last year, no attempt has been made for nearly six months to get agreement on improvements to the wage-fixing system, apart from a plaintive cry a month or so ago by the Employers Federation.

Forty years of informal contact between prime ministers and FOL presidents, an important ingredient in the industrial cake, have been suspended by the two current incumbents.

Unions and employers are left guessing when and in what circumstances the next change of rules will be announced, and what the rules will then be. They are not helped by the apparent difficulty the Prime Minister and Labour Minister Jim Bolger are having in exactly coordinating their pronouncements.

Perhaps one clue lies in the fact that the Prime Minister did not immediately make good his threat of wage controls for everyone if the Kinleith strike went on.

There is one logical reason why he might have stayed his hand.

Blanket wage regulations are clumsy, irritating and, according to Employers Federation research, not very effective in holding down wage rises.

They are also the antithesis of the back-to-basics anti-control mood rampant in the National Party.

Last year the Government went to the trouble of constructing itself an alternative to direct wage control.

The Commerce Amendment Act was designed to penalise over-generous employers who caved in to union demands and thought they could pass on the cost to the consumer. It took power to hold such employers' prices.

Two snags arise in using that power in the Kinleith case.

One is that it can be truly effective only when a company so regulated is selling principally on the local market.

(Insofar as its local sales are concerned, Forest Products may be in for a shock or two when the Government gets the Industrial Development Commission report on packaging later in the year. One manufacturer told his Government MP last week that he was delighted someone was having a go at Forest Products).

The second snag is that Forest Products was actually the company that took the unions on. Should it be singled out when the real nigger in the woodpile is Tasman, which conceded the disputed 11 cents without a fight?

But this is getting away from the possible Government reasons for not immediately bringing in blanket wage controls.

For the moment, let us leave aside any question of motive and look at the effect of letting the Kinleith strike drag on.

It put the solidarity of the unions under pressure, showing up the tensions between them.

It also showed the Government that there was not enough unity within the Federation of Labour to effectively widen the fight.

On this view of matters — and it should be emphasised it is only one possible view — the Government had already in one sense won at Kinleith last week — even if, as was being hinted at the time this column went to press, a formula was developed to save faces on both sides.

For the second time in six months — the last time being the national stoppage in September — the unions has been brought face to face with the difficulties of organising to effectively counter either industrially or politically arbitrary interference by the Government.

It must make them nervous about the much bigger battle to come — over the right to organise as they see fit.

If they lose the battle whether existing craft unions or the Government, through the Fishing Industry (Union Coverage) Act, are to unionise the deep sea fishing industry, an important principle will be lost.

The Government has had a longstanding preference for unions based on industries and plants, rather than on craft lines.

This would eliminate the sort of intercraft jealousies that tied up Tasman last year and led to the wage boost that started the present trouble.

Bigger than both of us, Jim? NZ Herald/Dale

Now an employer can be bargaining with up to 20 unions in a single plant. Unions with a miniscule presence at a plant, such as the SUP-led stationary engine-drivers, can have a disruptive influence far beyond their weight of numbers.

A corollary of the industry-based union is a shift from the state-guaranteed conciliation and arbitration system to a wage-fixing system based on voluntary contracts. This is favoured by a body of opinion within the Government.

Such a change would have two important results:

- the present relativity straitjacket would be removed from the economy and any relativity system that replaced it would be less rigid
- union secretaries who now have their members delivered to them by state decree would have to earn them — thus improving the calibre of union leaders and the strength of their unions.

All very desirable, in the eyes of the Government reformers. The problem is how to cross the canyon between here and there. As the Irishman said to the traveller asking directions, "I wouldn't start from here, if I were you."

The present system and institutions have a built-in inertia which has so far defied evolutionary change. And no one is yet willing to contemplate revolution.

I am confident that however much the Government may desire change, it has no clear idea of how to achieve it. There is no grand design, no arcane strategy, now unfolding.

Nevertheless, it is only in the light of such an ultimate ambition that the Government's apparently dislocated, ad hoc, even liverish, approach makes sense.

The willingness to run last year's national stoppage gauntlet; the Kinleith provocation; the fishing industry union coverage move (and others to come for aluminium, gas project construction and so on?): all may, when viewed retrospectively some time in the future, be seen as steps in the same direction, instinctive rather than calculated perhaps, but consistent.

Economics

Dissenting economists agree on export cure

Economic Correspondent

THE Society of Accountants has attempted something which economists are loathe to do. At its national convention in Rotorua last week, they asked three economists to speak on the same theme — the New Zealand economy toward the year 2000. And then they sat back to watch the spectacle.

Economists seldom ask three people to speak on the same theme because of the embarrassing inevitability of getting at least four different views. Fearing that the public will misunderstand disagreements among professional economists, they like to show a united front. Usually, if economists want to disagree with one another without the public knowning, they do so at the closed meetings of the Association of Economists.

And unlike the association, the Society of Accountants has distributed papers given at its convention to the press.

Keynote speaker Richard Freeman is an Australian by birth. He claims the right to speak about the New Zealand economy as the Head of Division, Country Studies Branch of the Organisation for Economic Cooperation and Development (OECD). Freeman helped to prepare the recent OECD survey of the New Zealand economy.

Freeman argues that policy-makers must have a longer-term ideology, based on increasing reliance on market forces. Then, "with the right timing and policies there is no reason why New Zealand, before the end of the millenium, should not be the centre of prosperity in the fastest growing area in the world economy".

Kerry McDonald, Director of the New Zealand Institute of Economic Research and Hugh Fletcher, Managing Director of Fletcher Holdings Ltd commented on Freeman's speech.

McDonald, a quasi-public servant economist agrees with Freeman's concept of the need for a longer-term view of the economy, but argues that government has a role to play as well as market forces.

Fletcher, a private sector businessman with a first class degree in economics, disagrees that greater reliance on market forces will get us anywhere.

He says that Freeman's speech was "a typical well articulated piece of OECD whitewash and Treasury free-market propaganda".

All three economists said future economic growth is dependent on exports and the fundamental issue is how to improve our export performance.

Freeman's paper provides an insight in the mainstream orthodox view of the economy. He has the advantage of an international perspective but is strongly disadvantaged by the need to be mindful of his official position, not to mention the shortness of time his OECD team spends in New Zealand doing research for their economy reports.

He offers a sound warning that in the future we will be facing considerably weaker growth in traditional industrialised markets than over most of the post-war period.

He wonders "to what extent New Zealand's future wellbeing lies with the traditional markets whose relative importance in the world economy has already declined and is likely to continue doing so as development and industrialisation proceeds outside the OECD economy in Far Eastern and South-east Asian markets."

By the year 2000, Freeman expects that the combination of Eastern markets and Australia will develop into one of the most important trading areas in the world economy.

This market is closer to home than our traditional markets and we should be able to gain our fair share of the new markets as the international environment changes.

But Freeman emphasises that if New Zealand is to cash in on the new market bonanza, appropriate policies to boost the export sector are required. Because they are starting from a small base, local exporters have been able to claim rapid growth in non-traditional areas. Freeman is not impressed.

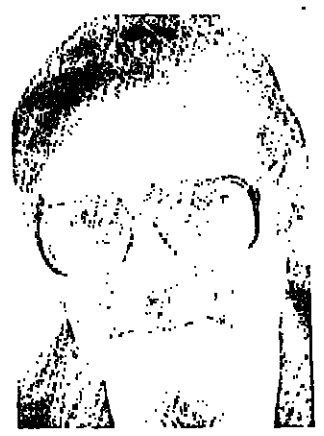
Freeman reports that "since 1970, the volume of exports has risen at an average annual rate of about 3 per cent, a rate over 30 per cent slower than in the 1960s. It is also a growth rate about half that of OECD trade as a whole, indicating that New Zealand's trading pereformance has been steadily deteriorating."

To improve exporting, measures must be taken to raise the longer-term profitability of exporting.

This will involve major institutional changes, in Freeman's view. "The system of price controls, the wage determination procedures and the use of extensive quantitative import quotas has combined to raise costs over a longer period to a greater extent than export prices, thus squeezing export profits."

Devaluation is a widely accepted method of raising the profitability of the export sector, but can only be successful if the gains are not eroded by those who do not eport. At one time, reliance on the expansion of rural exports assured that we would maintain a rising standard of living and full employment.

But now, growth of these exports is not sufficient to meet the rising level of domestic demand and so consumers look to buy overseas, causing recurrent balance of payments difficulties.



Richard Freeman . . . speaks for orthodoxy

Kerry McDonald . . . broadly agrees.

Hugh Fletcher . . . Largely disagrees

Freeman argues "if sustainable increases in the standard of living and employment over the longer term are to be achieved, further changes over time in reducing the institutional rigidities in the system seem to be essential. In particular, it would seem desirable to work gradually toward a reduction in the level of protection."

A high price has been paid for import licensing.

"Choice of products has been limited, industry has become inefficient and outdated, costs are higher than they should be. In total, industrial protection of this sort saps the strength of an economy the longer it is left in force," he said.

The appropriate policies in Freeman's view should aim for a gradual reduction in protective barriers, the first step being the replacement of quotas with tariffs. He notes in passing that "as markets in the Pacific expand, access for New Zealand's exports may be easier if there is a *quid pro quo* in New Zealand".

McDonald comments that a "policy of unselective industrialisation is probably the prime cause of our present economic problems, by the creation of an economic structure that is not viable. Expanding industry made little contribution to exports yet was heavily dependent on imports for continued operation."

Because imports include mainly materials and components, the economy is so structured that we can enjoy a sustainable balance of payments position only at high export prices.

One of McDonald's solutions to this problem is straightforward: "As past policy was uncritical, present and future policy should be much more selective and discerning in allocating resources and granting protection."

Fletcher is delightfully agnostic when it comes to the practice of economics.

He said "Like us all, economists are very good at telling you the half of the theory which accords to their bias.

"The free market economists do not tell you of the theory of second best which quite simply says 'when people do not obey the rules of the game, then all bets are off and since no one obeys the rules of free markets in international trade, the theory of free markets has absolutely no relevance to reality."

Fletcher asserts that "there is no such thing as a fair share of international trade. There is only that share which one wins in the law of the jungle that international trade is. New Zealand would have no balance of payments problem, and hence could have afforded employment growth with resulting real income growth it we had not been the victim of trade discrimination.

So we should not be either morally compelled or overwhelmed by the economic arguments that free trade is the answer to our export problems. Those who think short-term unemployment is a small cost to pay for the possibility of long-term growth reflect "the typical callousness of detached bureaucrats. To talk of unemployment as short-term is like the difference between recession and depression — recession if your neighbor is out of work, depression if you are."

While the different points of view of Freeman, McDonald and Fletcher may leave us confused about policies to achieve expanded exports and growth, they must have amused the accountants.

With a free trader, a Kenysian and an agnostic thinker about policy, at least we have a bet placed each way.

Energy crisis fails to cool Kiwi car passion

ENERGY conservation measures affecting the private motorist are bound to fail, says a report published this week by the Energy Research and Development Committee.

The conclusion contained in the four research papers that make up the report are not new: New Zealanders are firmly wedded to their cars. But the reasons show a marriage that is unlikely to founder on the rocks of the energy crisis.

"Auckland is a beautiful example. In many places in Europe the dream remains a dream and is only fulfilled, (and hard won), as a secondary residence for the weekkends or as a house to retire to after a life of hard work (the old puritan moral of work as opposed to fun).

"Here, the ideology of the private individual has been fully developed, and built into the town planning system and. when faced with a fuel crisis it is trapping us in its vicious circle, the report said.

Joy Gran and Peter Phillips in their paper on *Travel patterns and institutions* conclude: "Many of the limitations of established (low density) housing patterns and urban form can be viewed as advantages if not assessed through mobility and consumption criteria.

"Radical changes in residential form and the use of the private car and transport entities are unlikely to occur while the underlying values of society such as ownership of a house, car, privacy, individuality status, power and so on, are influencing transport and housing options through the complex interactions of market forces, institutional rules and society's use of resources, and serving to protect the existing infrastructure."

But Grant and Phillips say it may be preferable, and most successful in the long run, to "tinker" with town planning regulations to enable the energy conscious to adapt their lifestyles to conservation rather than introduce sweeping running counter to the majority lifestyle.

Energy conservation measures may be counter productive. The breadwinner who decides to take the bus or train to work to save fuel may be encouraging their spouse to drive for short suburban trips where transport services are often poor and can never hope to operate economically.

Bold views from new-boy in blue ribbon area — no bones about shooting for nomination

by Warren Berryman

WHEN National MP for Remuera Allan Highet hinted at his retirement from his safe blue ribbon National Party seat, a whole new crop of political aspirants began to show their heads.

Cocktail parties in the staid Auckland suburb are heating up as the virtues and vices of one or another candidate are debated.

The rumour machine is running full tilt churning out possible successors. Names mentioned include Colleen Dewe, former Lyttelton MP; Auckland mayoress Barbara Goodman; Remuera electorate chairman Ross Baxter; city councillor Paddy Walker.

One member of the star-studded cast who makes no secret of his intention to shoot for nomination is Auckland lawyer Doug Graham.

Graham, a self-described liberal free enterpriser, has been catching the lion's share of media attention with bold statements attacking high taxation, superannuation, bureaucratic interference in the market place, protectionist policies, and Parliamentary supremacy unlimited by bill of rights or constitution.

Some might see Graham's policies as an attack on the Muldoon Government's slide into statism.

But Graham refuses to be drawn on exactly what he thinks of Muldoon or his clique. Rather than attack personalities, he said he would prefer to put his ideas to the public and let them decide for themselves.

Graham is very much a son of Remuera — an Auckland Grammar old boy, president and founding member of the Grammar Club.

A relative newcomer to politics, he is coming under some fire from old party hands who feel the safe Remuera seat should go to someone who has done an apprenticeship doorknocking or fighting a hopeless battle in a Labour stronghold.

Graham makes no bones about being a new boy. "As for running for Remuera I suspect 99 per cent of people would say I've a damned nerve."

But he said he felt his legal practice had brought him into contact with all manner of people, from the poor to those with a few million in the bank.

He feels New Zealand has gone off the rails and wants to do something about it now — not after becoming part of the system he wants to change.

Graham moved into the top echelons of the party via the Parnell branch. Parnell was moved out of Auckland Central and annexed to Remuera in the last boundary changes. This brought organisational hassles to the party and Graham volunteered to help out.

He was elected chairman of the Parnell branch, but lost that position when disgruntled party oldtimers pointed out that the newcomer did not actually live in Parnell, but in Remuera.

In the end another branch meeting was held and Graham was elected one of two deputy chairmen.

Graham has been touring the country to meet the press. Journalists attending these lunch-time meetings report Graham is as eager to pick brains as to be quoted. Not an intellectual sponge and not a bull-dogmatic, cock-sure ideologue, Graham seems to enter an argument with a "go ahead and prove me wrong and I'll modify my views" eclecticism.

With almost reckless frankness, Graham has attacked one sacred Kiwi cow after another.

With some minor exceptions, his arguments follow a liberal line. He rejects paternalism with its attendant state controls as an unwarranted restriction on personal liberty that makes New Zealand an unnecessarily dull place to live in as well as hindering economic development.

In this view, Graham laid into the "great New Zealand clobbering machine" for bashing the small fish and fruit vendors who sell their wares every weekend on Auckland's Tamaki drive.

The Auckland City Council claimed the stalls were a traffic hazard. Graham claims they were a brave attempt at private enterprise giving the city a colourful character and creating a happy atmosphere.

"If we continue to stifle such entrepreneurial enterprise by legislating, regulating, ordering and governing against such activities then we are heading for an even more disastrous, dull, levelled, ordered and colourless society than we already have," he said.

Graham argues for Saturday trading and casinos for those who want it. "Casinos are there for the wealthy who want to risk losing their money. If they want to do that, let them and we'll happily take a bit off in tax," he said.

Besides, casinos could bring in welcome revenue from overseas tourists, he pointed out.

"Our gambling laws are archaic. We have a Gaming and Lottery Act a lawyer can hardly read ... it's all a manifestation of protect-ourselves-from-ourselves.

"We are so slow to learn from overseas. We are frightened that somehow or other we're not as bright, not able to cope as well, and we're all going to end up down the street in tin pan alley. I think that's absolute nonsense. The longer we perpetuate that sort of attitude the more likely it will happen," he said.

Graham seems to have faith in his fellow citizen's ability to cope with life like a grownup.

"Minimum Government interference is the key to my belief. I think the individual prospers when allowed to do so by himself — with a minimum of interference — both emotionally and materially."

Would he go so far as to say the individual should be allowed to drink when and where he wished and the publicans be allowed to cater for this?

"Why not," Graham said. "There's nothing wrong with a publican opening any hours he wishes. We're improving our liquor laws bit by bit but it's far too slow. To go into a restaurant and then have the police arrive at 11 o'clock to see if you're drinking or not is just so childish."

Government's role should be reduced and limited by a bill of rights, Graham maintains. "We are not sheep, but we are treated as such. And as a result we blame all ills on government," he said.

Doug Graham . . . minimum government interference is the key

New Zealand needs a bill of rights limiting government and guaranteeing certain minimum unalienable rights for the citizens, Graham insists.

"As a lawyer I have great faith in the judiciary. If they had something a little better than the Magna Carta to hang their hats on they might be able to exericise more genuine control than at present."

As a further check on governmental excesses, Graham sees the need for a bicameral system — a second house of appointees — not like the previous Legislative Assembly "a holding paddock for political appointees and old boffins" but a body of 20 to 30 prominent people.

Who runs New Zealand? The politicians or the bureaucrats?

Graham answered: "I think the politicians do really. But by the time they get done what they actually want done there's another hiatus while the next lot tries to change something.

"Sometimes something quite urgent can be done. But this is pretty rare. Overwhelmingly the power is vested in permanent heads of departments. This is a controlling factor and therefore not wrong.

"But as far as speed of decision making is concerned it doesn't help at all."

Government expenditure should also be reduced, said Graham. "High taxation is killing individual incentive and causing otherwise capable citizens to become wards of the State."

Graham would keep education expenditure at present levels or increase it. Health, he said needs looking at, and welfare expenditure is too high. "When we see someone earning after tax the same amount as someone on the dole, that is stupid."

National's superannuation scheme comes in for Graham's most bitter attack. He argues that as the proportion of the population comes to favour the older groups, the country can no longer afford to maintain the system. "Payouts should be made according to need," he said.

"I think its wrong for the State to collect some form of compulsory life insurance. If I elect to take insurance fine, that's my choice.

"The Ministry of Work's role should be cut and the work given to private contractors who are cheaper and more efficient.

"The way super is structured at the moment we can't afford it anyway. It costs us over $1 100 million now. With the greater proportion of the population getting older how can we afford it?

"Its a great leveller. Things have gone too far. We are not all the same. We've got to encourage those with ability, and the idea of taxing people to give them some sort of benefit they shouldn't need at age 60 seems to me basically wrong," he said.

As to taxation, Graham favours a move towards proportional taxation to replace progressive income tax and a move away from direct tax to indirect tax, this latter giving the citizen a choice to either spend and be taxed or invest and avoid tax.

Graham goes on to attack protectionist controls both domestic and foreign such as import licensing, and licensing of various industries.

All in all his ideas are neither new nor unique. They are shared by many in and out of the National Party.

What is interesting is that Graham has in such a short time become a vocal force with an audience in this plum National seat.

Labour's energy moves to self sufficiency

ENERGY self sufficiency "where realistic" would be a Labour Government's policy, according to St Albans MP David Caygill.

To give effect to that objective, Labour would aim to achieve "responsible pricing consistently administered" in contrast to existing pricing policies which Caygill claims are "a mare's nest of conflicting principles frequently interfered with."

Labour's third goal is to reduce reliance on energy-intensive options, such as motorways, emphasising conservation.

Addressing the Auckland Regional Labour Party Conference recently, Caygill attacked the Government's energy strategy as "a great big ball of CNG, with a massive flare outside, a nuclear reactor inside and a widespread communications blackout."

"The cornerstone of Labour's energy policies must be the passage of a freedom of information act so that New Zealanders can play a part in the formulation of policies in this and other important areas," he said.

To promote discussion the National Development Act would have to be repealed.

Labour, Caygill suggested, is against selling South Island electricity "at less than market value" for industrial development.

"This seems particularly true when the number of jobs created by the projects is so small," Caygill said.

At a time of high inflation and electricity surplus, it seems much more sensible to begin by reducing the cost of electricity to New Zealanders than to sell it at less than market value for a few capital intensive projects."

Labour has two proposals for energy conservation:

- Drop the carless day scheme. ("The Government knows full well there are much better alternatives") in favour of schemes such as regular carburettor checking, which Christchurch tests had demonstrated could cut petrol consumption by 7 per cent.
- Introduce energy labelling standards on home appliances indicating power consumption and costs.

O'Brien on business

General Finance: valuations raise questions

THE *Directors Recommendation* from General Finance Ltd on the offer from Black Horse Finance Ltd raises several questions which require answers in the interests of public confidence affairs.

Several relate to the comments regarding the valuation of the Group Rentals subsidiary.

The documents say that an independent professional valuation of the subsidiary late last year gave it a value of $15.4 million (compared with the $15 million suggested in *NBR*, February 25).

The dissenting director, Ray Hocking, says the valuer "has updated this valuation to the present position and confirms his valuation".

That suggests that an independent chartered accountant (who would normally carry out these valuations) has twice placed a $15 million value on Group Rentals, presumably with access to the books.

National Bank general manager Spencer Russell told General Finance chairman Harry Armour in a letter dated February 29 that Black Horse and the New Zealand Motor Corporation agreed on a figure of $11.5 million for the sale of Group Rentals after "both parties had received independent professional advice as to the value of Group Rentals".

Russell says the price agreed is "within the parameters of the two separate valuations". That could mean that the two valuations could (theoretically) range between $1 million and $100 million, because $11.5 million would still be "within the parameters".

But it also means that at least one valuation must have been $11.5 million or less. Otherwise the $11.5 million would fall outside the "parameters".

Neither Black Horse nor Motor Corporation have any rights to company information apart from their normal status as shareholders and Black Horse would not appear to be a shareholder in General Finance at the time of announcing the offer.

If the two valuers did not have access to the General Finance books their valuation can be no more than an educated guess, and has to stand against the valuation of another professional, presuming he had such access.

Here is a variation of about $3 million between at least two of the three valuations. Professionals may disagree, but do they disagree to that extent, and if so, why?

It might be argued that a difference could occur between a valuation of a company for break-up purposes and one obtained as a going concern. That is true, but the *Directors Recommendation* booklet from General Finance states specifically that in the event of Motor Corporation acquiring Group Rentals, security of employment of the staff of Group Rentals will be preserved. That seems to rule out a break-up concept, unless one accepts the unlikely idea that NZMC could find alternative employment for more than 150 people in other activities.

Is there a difference in earnings calculations? If so, what is it?

The second major question relates to the GF Directors' comment that "your directors must consider the effect on those shareholders who reject the offer as a result of the advice of your directors.

"First, it is probable that not all of the shareholders would accept such advice. Some have already orally indicated a willingness to accept the Black Horse offer".

"Secondly, those shareholders who did not accept would, in the short or longer term, become locked into a minority position with all the problems that would follow. In saying this, your directors are not implying any sinister motives to Black Horse, but simply stating a fact.

This must have been among the most difficult problems for the directors to consider in the whole affair, particularly when weighed against the other factors.

It would finally depend on an assessment on how many shareholders followed a directors' recommendation to refuse the offer, and accepted the Hocking assessment of values and so on.

Excluding for the moment the shareholders who have "orally indicated a willingness to accept", there are 31 per cent of the shareholders still outstanding.

There are several companies listed, or previously listed, on the Stock Exchange where 60 per cent of the shares are in the hands of one shareholder. The best example is the soon-to-be-listed ANZ Banking Group (NZ) Ltd, where the ANZ Banking Group will hold 75 per cent of the capital. Will the remaining 25 per cent be "locked in"?

Other examples are UD[illegible] (soon to go off the list); Pye Electronics, which was 64 per cent owned by Pye of Britain until acquired by Philips; Smith and Brown Maple, [illegible] per cent owned by Feltex; DRG, 75 per cent owned by Dickinson Robinson of Britain; ICI (NZ), 75 per cent owned by ICI (Australia); Firestone; Alcan; Ajax GKN; Wormald; Repco NZ; Rheem NZ; McKechnie Bros NZ and Prestige/Holeproof.

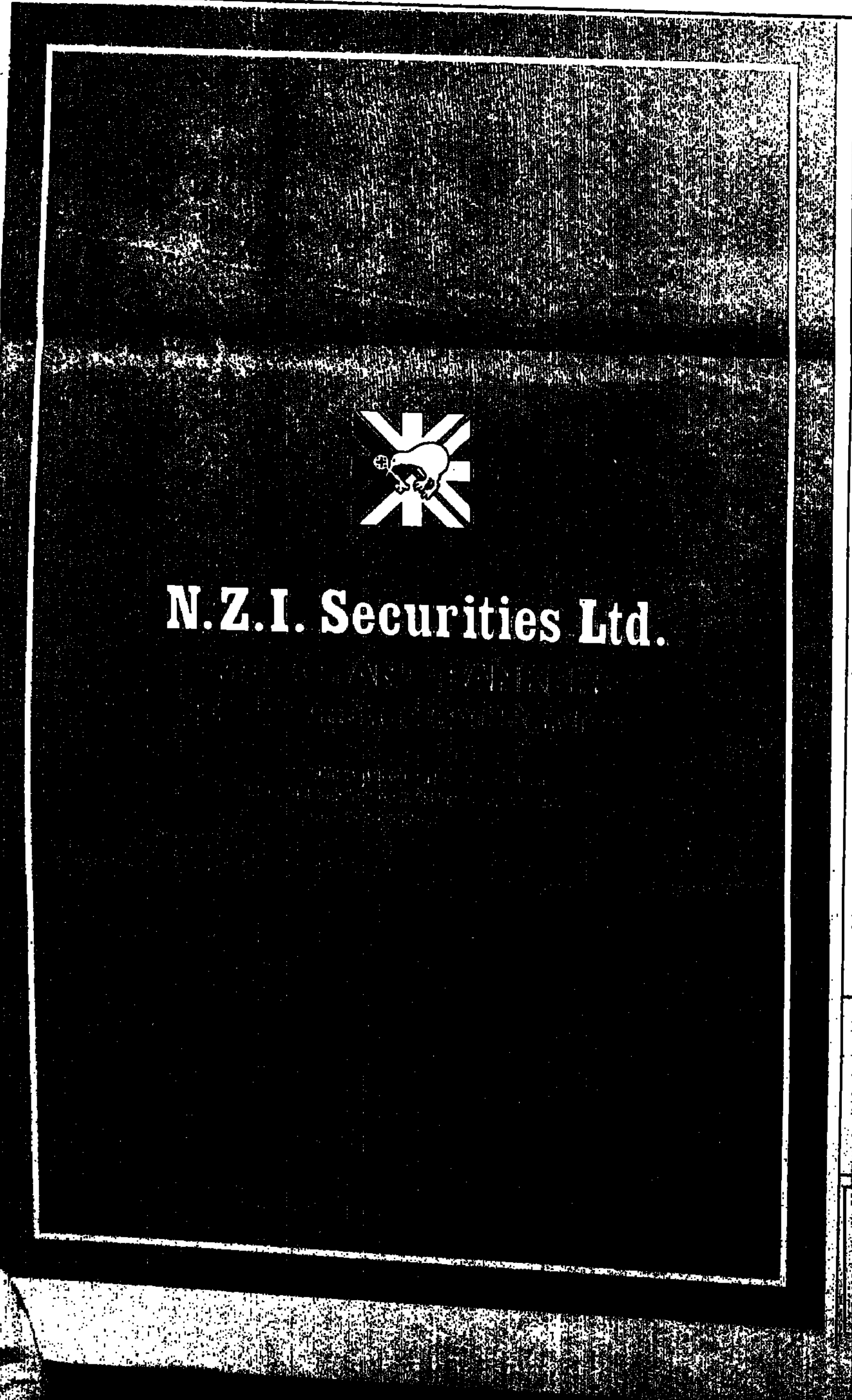
Let us assume that Black Horse acquires GF, sells Group Rentals, and other investments, and GF remains on the Stock Exchange list.

The proceeds from the [illegible] investment, if Hocking's arguments are correct, will add substantially to the value of GF shares. The problem is whether sufficient shareholders would hold out [illegible] benefit.

That must have exercised the GF directors in reaching their recommendation.

But the Group Rentals questions are the most important, and need clearing. Otherwise the affair will reinforce the widespread idea in the market place that the [illegible] shareholder is affected.

Detailed answers to these questions will allow the public concrete evidence that [illegible] parties not only acted with total propriety, but have been seen to have done so.



Tax-free dividends complicate assessment

THE payment of dividends from capital reserves is affecting analysis of share-market trends.

The market is described as "firm" or "buoyant", when compared with the level of the various indexes in the past, but the tax free dividend complicates the assessment.

Tables of company share information indicate the dividend yield from a particular company at a given price, but those tables give an unavoidable false picture, because they cannot reflect the tax free element in a dividend payment.

Two shares may be yielding 5 per cent from a 10 per cent dividend. If one company pays a dividend of 10 cents a share from revenue, the payment is taxable in the hands of individual shareholders (institutional or corporate shareholders pay no tax on dividends, to avoid treble taxation).

The other company may pay its dividend from tax free resources. In that case the total 10 cents remains with the individual shareholders. Company B is then undervalued in terms of the effective yield to the shareholder, assuming that they both operate in the same industry, have similar management, good earnings related to investments, a reasonable future prospect.

The market should overcome the "undervaluation" by bidding up company B to take account of the tax-free element in the dividend. The price rise may not result in company B being priced at twice the level of company A, because questions of capital gain, bonus issues from unrealised capital reserves (a tax-free dividend can be paid only from realised capital reserves), earnings yields (or their converse, the price/earnings multiple) are all factors in an investment decision, depending on the personal circumstances of the investor.

The influence of institutions will also affect the price, because they are unconcerned, in income terms, whether the dividend is from revenue or non-taxable reserves. They often elect to take a dividend from revenue. That election preserves the realised capital reserves for distribution among individual shareholders.

After allowance for the various factors, it can still be seen that the introduction of distributions from capital reserves has upset the traditional relationship between dividend yields and the yield from fixed interest investments.

According to recent analysis by the Wellington broking firm, R A Jarden & Co, 48 companies paid the whole of last year's dividend from realised capital reserves, or the share premium account (distribution from the latter requires the approval of the Supreme Court, because it is technically a reduction of a company's capital).

Other companies are paying part or all of the 1979-80 interim dividend from these sources.

Consequently, the share prices of many companies have broken the relationship between dividend yields and the yield on alternative investments, even if only in part.

The result is that the sharemarket may be less "firm" or "buoyant" than it was when market indexes two or three years ago stood at a lower level than they do today. The basis of placing a price on company shares has changed.

This development has another aspect. When analysts and investment managers assess the market's future trend, they take into account the probable movement in interest rates.

That approach, with other factors, is still valid, but its importance seems to be

That approach, with other factors, is still valid, but its importance seems to be changing when considering investment in companies with the capacity to maintain distributions from non-taxable sources.

Interest rates are edging up, in line with tight liquidity, both in finance companies and for industrial debentures. The Government's rates this year are a major question hanging over the investment markets at present.

Assuming that the Government produces another sizeable deficit in the 1980 budget, it will probably follow the established practice of financing a large portion from the non-bank sector within New Zealand.

A theory that the Government would go offshore to borrow money against the deficit, has to be considered in the light of basic economics. If a sizeable deficit were financed by overseas borrowing, the result would be destruction of the present credit expansion policy. It would certainly stimulate internal activity, but would have the effect of transferring the deficit directly into the monetary base, money supply, and thence to private sector credit expansion.

If funds are raised from the public (excluding the banking system), the money supply is cut, and there is some chance that the credit policies will have their desired effect.

It would make considerable economic (but perhaps not political) sense for the government to push interest rates even higher, rather than moving them gradually, because a gradual rise allows the private sector consistently to top official rates. Since a borrower and a lender both need a return, there comes a point where private rates fail to produce a return, because demand is cut due to the solid increase in costs which are reflected in to the price structure.

The inflation element has to be balanced against that theory, as do questions of unemployment and other economic and political matters.

Interest rates may fall or rise in the coming months, or they may remain steady. In regard to the sharemarket, the widespread availability of dividends from realised capital reserves is upsetting the traditional relationship between dividend yields and interest rates.

O'Brien on business

Analysing annual accounts: Gear Meat Co Ltd

LET'S put our hands together for the 1979 annual report of the Gear Meat Co Ltd.

The directors of the Wellington based freezing company used the occasion of the company's 97th annual report to give shareholders a mass of financial information formerly hidden in their collective bosoms.

Chairman John Pottinger is a solicitor, so the "collective bosom" suggestion is appropriate. It is a legal adage that the common law "resides in the bosoms of Her (His) Majesty's judges". That might be a fine resting place for the common law, but directors' bosoms are an undesirable lodging for basic financial information about a public listed company.

The directors also managed to comply with the Companies' Act this year, by including a formal directors' report, as required by the provisions of said Act. Last year I pointed out that the report failed to meet this legal liability, and was therefore in breach of the Act.

The company has gone much further than the minimum financial disclosure set out in the Companies Act.

Revenue figures are included for the first time, under five headings: Export meat and skin product sales ($26.7 million); processing charges and by-product sales ($5.3 million); subsidiary companies sales and services ($14.6 million); income from investments in companies ($90,000); and "other" ($231,000).

The reader receives a breakdown of the expenses incurred in earning that revenue.

There are 12 separate headings, including the items which the Companies Act says must be disclosed in any report. Few companies go so far as Gear in this area. Separate figures cover apparel, packaging and process materials; repairs and maintenance; energy consumption; wages and salaries; leasing costs and rents; and payments to producers, which is effectively the cost of "raw materials".

Gear's profit and loss account in previous years had one statement: "Profit on sales and manufacturing for the year after providing for working and administration expenses amounted to . . ." ($1,677,000 in 1978).

The profit and loss account shows that total revenue was $47 million (44.6 million in 1978), while expenses amounted to $47.3 million ($44.2 million). At last we can see what happened in the company's trading activities.

Sales of export meat and skin products went up only $1,176,000, but payments to producers for the "raw materials" on which those sales are based increased by $3,092,000. The producers' payments were only $310,000 below the realisations from the major sales item.

Processing charges and by-product sales helped to improve total revenue, but they gave the company $700,000 less revenue than in 1978.

These figures show the problems inherent in a meat company. Prices paid for stock may be higher than the final realisation, depending on how overseas markets fluctuate in the period between purchase and sale of the processed product.

Any sales delays, due to changes in market demand, add to storage costs and other expenses.

A drop in "throughput" (the basis of a meat company) compounds the problems, because overheads remain fixed, while the revenue from animals slaughtered, and from processing charges declines.

The report outlines the areas of major loss during the year, but the figures allow confirmation of the directors' comments.

Gear for years insisted that disclosure of a detailed profit and loss account would assist competitors, particularly overseas companies, possibly ignoring the fact that the law in other countries gave the advantage to groups here because it forced the overseas organisation to produce this information.

The Gear figures this year seem to have left Level 14 of Wellington's Pastoral House (Gear's boardroom), and the Petone plant, free of the effects of competitive earthquakes, so it didn't hurt all that much, did it, chaps?

The balance sheet has some innovations this year, particularly up-to-date government valuations of group land and buildings, following a request at previous annual meetings. (Talking about annual meetings, we all hope you get your motions right this year on the re-election of directors, John. Last year the election of the three retiring directors was "ineffective", because the motions were invalid. They were appointed by their fellow directors, and they come up for re-election again this year).

Many balance sheet items are academic following the decision to sell the Petone plant to The Wairarapa Meat Co Ltd for $8 million, a sale which will give the group a capital loss.

That loss involves an interesting accounting item for next year's accounts.

Gear has an "asset revaluation reserve" account of $549,000, which will be either wiped out or substantially reduced, depending on amount of the loss.

A "capital profits reserve" may also be affected for one of two reasons. Either the company takes the loss off that reserve first, before touching the asset revaluation account (although logic suggests that the latter would be used first, assuming that it includes a revaluation of Petone), or it accounts for any shortfall in the Petone element of asset revaluation reserve by reducing capital profits to the extent of the remaining capital loss.

Gear will own 31 per cent of Wairarapa Meat Co so it will probably equity account that shareholding, a procedure which will have a counter-balancing effect on reserves. But all that is minor in the context of the new reporting. Jolly good show, chaps!

O'Brien on business

Accountants' self-analysis to face future change

THE Society of Accountants' national convention in Rotorua last week gave time to self-analysis of its role.

The convention's theme was "Towards 2000 – The Challenge Ahead". One session considered *Social Responsibility: The Accountants Challenge and Response.*

Executive chairman of the Australian Industry Development Corporation, Sir Alan Westerman gave the keynote address. Auckland accountant and company director, Bill Wilson, spoke on *Financial Reporting in the Post-Capitalist Era*, and Wellington accountant David Macdonald contributed a paper on *Auditors' Responsibilities.*

The three speakers concluded that accountants should do more analysis of their function, and accept the challenges of the future.

Westerman: "If, as a body, you elect to take initiatives in the interest of society and develop and monitor new codes of professional standards and ethics, you will need to determine whether you need the help of governments to give adequate backing to your members.

"Clearly professional Calvanism will be uncomfortable for you. But the alternative of ignoring challenges and hence avoiding responses is not something that society will tolerate for long".

Wilson: "This is a discussion paper in which I have thrown around some ideas. This, I think, is what five yearly conventions are for, I don't know the answers; I do know there is a problem. Either we in the accounting profession pick up the challenge or we shall revert to being bookkeepers as we were in the beginning".

Macdonald: "Perhaps, before issuing more accounting standards and auditing recommendations we should obtain a better understanding of our economic, business and social climate."

Westerman distinguished between the "Friedman approach" (after economist Milton Friedman) and the "quality of service" to society when considering the objective of business and the professions.

The Friedman approach says that the objective of business is to maximise profits for its owners or beneficiaries, and that business' advisers (accountants in this context) need not worry about the commercial and social morality of their advice. That is the function of governments and the regulatory agencies which permeate our society.

The quality of service approach says there is an obligation to society to improve the quality of service: "improving your professional competence and attune your consciences to service needs of all those in society who are dependent directly, indirectly upon your financial statements and advice for pursuit of their own interests".

The three papers looked at the question of disclosure in company reports.

Westerman's contribution spent more time than the others in stating the options open to accountants as they move through the next years, but he favoured, on balance, the "quality of service" approach, as indicated in the final sentences of his address, quoted earlier.

The option is spelled out clearly: "It follows that the challenge to you as accountants is how broadly or narrowly you interpret 'business responsibility" and "social" and how you, with business, translate your interpretation into action".

Wilson was more specific. He wanted annual reports in the 1980s to include a financial statement for shareholders and a statement for users: the community at large.

The financial statement would contain the information required to show the profit and loss and state of affairs of the company with the addition of only a funds statement. (Wilson glossed over the detail which should be in that statement, saying that more market research was necessary on users' needs.)

The economic statement would include descriptions of activities, statistics, and measurement of the company's resource measurement (basically a value added statement).

It would have the following sections: activity; people; taxation, which includes statements of government subsidies and special taxation concessions, described by Wilson as "negative income taxes", and needs identification and measurement; borrowings; and resource measurement (basically a value added statement).

Wilson had reservations about the present standard of reports to employees. He thinks they are often patronising, with their use of comics and wording: "... they seem to presume that most readers have a standard of intelligence just out from primary school".

Macdonald's analysis of auditors' responsibilities examined overseas work, including reports of the United States Senate, the American Institute of Certified Public Accountants, and other British and local references.

He considered both the auditors' present legal responsibilities, and what they might be if the overseas reports and research were translated into law. In one passage he hit on a key problem area here:

"Given the generally low standard of financial reporting by the press, the lack of organised pressure groups and our out of date Companies Act, there does not seem to be any real pressure to extend the auditor's role here".

But he also believed that more effort should be made to ascertain the expectations and requirements of users. In addition, the outdated Companies Act makes it essential that the accounting profession provides a leadership role in issuing accounting and auditing standards.

Overseas trade

Exporters fail to exploit orchestra tour

by John Draper

HONG KONG is being forgotten as an export market by manufacturers and the Department of Trade and Industry.

The New Zealand Symphony Orchestra's recent three week tour went almost unnoticed by export earners, save three, while New Zealand's commissioner in the colony, Bart Finney says our share of food imports is "pitiful".

New Zealanders travelling with the orchestra, aware of the Government's export drive, were amazed that there was no effort to use the visit for either tourist or trade promotion.

Only Air New Zealand, New Zealand Insurance and Fisher and Paykel took the opportunity to use the orchestra for promotion by advertising in festival programmes.

Both Foreign Affairs and the New Zealand commission in Hong Kong were aware that the orchestra had been invited to the festival more than two years ago.

But it seems Trade and Industry's export promotion division was not.

NBR understands the division needs at least a year's notice to co-ordinate promotional activities and only recently became aware of the orchestra's visit.

The department's policy is to pitch promotion at the "hard-nosed" business people rather than the general public.

But the navy's frigates and the band of the First Battalion of the Infantry Regiment based in Singapore is regularly used for promotions on the island and in Malaysia.

HMNZS Canterbury will sail from the Rimpac exercises in the central Pacific for a five-port call in Japan, loaded with carpets and tourism brochures. It is another of the many similar promotional flag-waving visits the ship and its sisters, the Taranaki, Otago and Waikato have made round the world and the Pacific Basin, in particular.

But it seems the symphony orchestra is out of favour.

A suggestion by the Government that the orchestra make a European tour in 1980, changed to 1981, before being quashed by Cabinet, was designed to promote trade and tourism.

But the $500,000 cost fell foul of the Government's spending cuts last year. Exporters seem to be particularly ignoring Hong Kong, specially its demand for food.

The colony has a $51 million dairy market but the Dairy Board's share in 1978 was a "pitiful" $3.7 million, commissioner Finney said.

Hong Kong imports a large proportion of its food with mainland China supplying most fresh produce for the five million inhabitants.

But there is a developing market for canned and processed foodstuffs.

The frozen vegetable market is worth $8 million plus. New Zealand's share in 1978 was $120,000. The canned vegetable marked $12.1 million (New Zealand's share was $8000) and bakery products $10.7 million but "New Zealand did not sell a cracker." And Finney said the canned milk market, worth $15 million a year, was completely ignored by the completely ignored by the Dairy Board.

Ross Southcombe ... chance to build image

Export Institute director Ross Southcombe said any visit by a New Zealand organisation overseas could be used to build the country's image and the institute was always willing to help with some sort of promotion.

"I am sure there are some things that could have been done with the orchestra," he said.

But the institute was unaware of the tour.

Promotion needed to be professionally and expertly done with a clear idea of the target audience, Southcombe said.

In a market where New Zealand products were well known, promotion aimed at the general public was likely to yield the greatest return. But in a developing market importers and merchants would be the target audience.

US survey that export comes off second best

Melbourne Correspondent

A JOINT survey by the American Chamber of Commerce in Australia, and the United States Embassy, has shown that American companies selling manufactured goods in Australia must offer better quality products, improved service, and make finance more readily available if they are to retain their current share of the market.

A curious finding of the survey was, that as the depreciation of the United States dollar made American goods more competitive in price, so the reliability and promptness of their supply in Australia declined, as if the manufacturers thought competitive prices were sufficient in themselves to secure sales. This provided an advantage to foreign competitors in the Australian market, who were prepared to give priority to exports.

But many American manufacturers prefer to concentrate on their domestic market, treating exports in "something of a cavalier fashion", the survey showed.

In one case, a South Australian company was unable to interest an American farm equipment maker in exports amounting to six figures, because the American company claimed to be "highly satisfied" with its position in the United States market, and did not wish to trouble itself with such arcane matters as bills of lading and letters of credit.

AMCHAM says that several American manufacturers refuse all invitations to move into foreign markets.

Some American manufacturers look to Australian agents and distributors merely to handle surplus production – on their terms, not on the highly competitive terms of the local market place it says.

According to Richard Kirby, economic counsellor at the United States Embassy in Canberra, the massive computer survey of AMCHAM and non-AMCHAM respondent firms has brought to light some interesting information. For example, quality rather than price emerged as the most important consideration in the Australian market.

More than 52 per cent of respondents cited quality as the most important factor in buying American manufactured goods, while price was cited in little more than 20 per cent of cases.

AMCHAM makes this observation at a time when the United States National Science Foundation finds that research and development in the United States is deteriorating. It says the percentage of scientists and engineers engaged in research and development has declined 13 per cent in the United States in contrast to a 57 per cent increase in the USSR and West Germany, and 62 per cent increase in Japan.

Insurance

Established clique tests Lloyd's liability

A SERIES of recent reverses has produced unprecedented problems for Lloyd's of London. For the first time in its 293-year-old history, the venerable insurance organisation which is run like an exclusive club is being taken to court by some of its own members. Lloyd's has responded by appointing an internal committee to recommend changes to its self-regulating practices. Bob Meredith reports.

THE grand old club is to change its rules.

This, in a nutshell, is what is happening at trouble-stricken Lloyd's of London, most venerable of British institutions.

Never in its 300 year history has this most club-like of insurance institutions been in the trouble it finds itself today.

A series of recent reverses on risks, ranging from fire insurance to computer leasing has caused Lloyd's to take a searching look at internal practices.

The result is the setting up of a seven-man internal working party, now going about its task and due to report before the end of this month.

It will need a new act of Parliament to permit changes, but there is little doubt the committee will recommend a number of major alterations to rules governing self-regulation within the market.

The events which brought the organisation's problems to a head are known as the Sasse affair — the story goes back four years.

In 1976-77 a syndicate of underwriters, F H Sasse and others, overwrote insurance by 250 per cent. Its agreed premium limit was £4 million, but that year it wrote £10 million worth of business, much of it fire insurance in North America.

Not long after this business was completed, there was a rash of fire claims: £6.8 million in the United States and £3.1 million in Canada. Many were against policies written on properties in the blighted South Bronx district of New York.

Police investigated the possibility of a massive Mafia arson fraud, but the case was never proved and the claims were settled in full.

The Sasse syndicate — known as Syndicate 762 — sought to recoup its losses from its reinsurers, the Brazilian state-backed Instituto de Resseguros do Brasil. But they demurred, citing the suspicions of arson and alleged irregularities in the issue of policies.

Lloyd's is insisting that the 110 members of Syndicate 762 meet these losses from their own resources, as well as other losses on computer leasing and entertainment ventures which bring the total to £21.5 million. The average debt is £195,454 a member.

But 36 members of the syndicate have balked and are challenging the fundamental Lloyd's principle of unlimited liability.

In a move unprecedented in its history, 29 of them are suing Lloyd's, claiming that many of the Sasse policies were issued in breach of corporation rules.

These are not Johnny-come-lately money men who are doing a bunk on their responsibilities but respected members of the British establishment, including figures like Princess Margaret's private secretary and comptroller Lord Napier and the Queen Mother's equerry, Major Sir Francies Legh.

Their action challenges the operation of the exclusive Lloyd's club and implies serious deficiencies in practice.

To understand the problem it is necessary to know something about the setup at Lloyd's. It is not a monolithic organisation but an agglomeration of many parts.

The corporation as such does not accept insurance or assume liability for the business transacted by its members. Theoretically it merely provides premises for underwriters.

In fact, the Lloyd's policy signing office, a sophisticated computerised clearing centre which settles premium and claim accounts for both brokers and underwriters, is the nexus of a many-tentacled global network.

The corporation is governed by a 16-man committee which acts on behalf of members and oversees their activities. It elects members and vets underwriters and brokers. One of its principal functions is to set limits on the amount of businesss that a group can write, based on an annual audit which is the searching test of a syndicate's solvency.

The underwriters are the actual insurers. Their name has its genesis in the 17th century when persons seeking guarantees against the possible loss of merchant ships approached men of substance, seeking to get them to accept a portion of the risk.

The men who hawked round the proposals were the original brokers; the capitalists who subscribed, the underwriters. They literally underwrote the agreement by appending their signatures.

Today the system is broadly analagous except that the men of substance are organised into syndicates and the underwriters are professionals who transact their business for them.

But brokers still place a risk at Lloyd's by taking a "slip" giving details of the policy round to underwriters in the underwriting room and getting them to write in the proportion of the risk that their syndicate will accept.

There are 403 registered syndicates each with a membership of between 20 [illegible] 1000 "names". The number of members now totals 18[illegible] including such famous "names" as politician Edward Heath, boxer Henry Cooper, tennis star Virginia Wade and three of the rock group Pink Floyd.

To become a member one must demonstrate a specified amount of wealth — between £12,500 and £100,000 — and accept that in the event of disaster you will stump up all the way. The bond is *uberrimae fides* in utmost good faith.

Ordinarily there is nothing for the subscribers to do but sit back and watch the profits roll in. "Once a year," said one, "I go along to a meeting which is also a cocktail party. I'm shown a few charts and [illegible] about it . . . I don't [illegible] every time I hear that [illegible] gone down."

In the case of Syndicate 762 some of the members are rebelling, claiming that the underwriters and the system at Lloyd's did not adequately protect their interests.

In its turn, Sasse Turnbull, the managing company of Syndicate 762, has filed a [illegible] against Lloyd's and against the brokers Brentnall [illegible] Ltd.

It is anticipated that the present internal study — the Fisher Inquiry — will recommend extensive measures to tighten up on regulatory procedures.

Many Lloyd's men [illegible] that strict controls could [illegible] the free-wheeling entrepreneurial spirit which has underpinned Lloyd's international success.

Environment

OECD critique invited to environmental policy

by Belinda Gillespie

NEW Zealand has laid its cards on the table in preparation for OECD investigations of its environmental policy and management.

The OECD environmental committee has the job of reviewing the policies of member nations.

After Sweden and Japan, New Zealand is the third country to be studied, a procedure set off at the invitation of the Government.

The OECD tends to select countries in the light of the future usefulness of the environmental studies to other member nations.

Gross pollution was the price the Japanese paid for their particular economic miracle — thus the OECD study was a detailed look at Japan's successful crash-programme for the abatement of pollution. The committee wanted to know the financial cost of the programme, and found that it did not impose any undue economic burden.

The studies also aim to provide the country under review with an outside critique of its environmental policy — useful in the contentious environmental context where the parties, stereotyped as exploiters on the one hand and the whole earth trendies on the other, solve their differences by mud-slinging rather than reasoned discussion.

The New Zealand study will not be as detailed and comprehensive as the Japanese. It will broadly cover five key areas of environmental policy — primary production including forestry, fresh water resources, indigenous energy resources, environmental health, and town and country planning. It will also look at the institutional background to environmental management.

Although limited in scope, the study covers the areas where most of the action has been, environmentally speaking, and will be of considerable value to other OECD countries with similar problems.

In preparing for the OECD committee, the Commission for the Environment has just released its own review — a massive document under the title *"Environmental Policy and Management in New Zealand."*

Prepared at speed, in consultation with the relevant Government departments, the commission document co-ordinates departmental viewpoints and assessments of their roles in environmental management. It is not an "audit," or definitive statement on environmental policy, but a factual working document intended as a starting point for the OECD team.

Five countries have been chosen to put up one or two experts in each area. Japan will cover environmental health, West Germany primary production, the Netherlands town and country planning, Canada energy, and Australia water.

The group of experts will work alongside the OECD secretariat, and a hired consultant, Max Neutze, an economist from Australian National University with a background in planning and land use.

The commission hopes its preliminary review will lead the experts into areas which may have been glossed over, in the belief that the departments concerned will find it more acceptable to be criticised by independent experts than by an internal watchdog.

The OECD team will arrive on April 7 to spend a week meeting with commission members and representatives from environmental groups.

From April to October, the team will work on the preliminary material and return in October to continue its follow-up.

By the end of the year, the OECD environmental committee should have received a draft report of the team's review, and will report back to the Government.

Mower mania mangles mindless feet

by Belinda Gillespie

WATCH it with that lawnmower . . . you may do yourself an injury.

In just one month at the height of the grass-cutting season, 11 lawn mower injuries were among the casualties checked in at Wellington Hospital's accident and emergency department.

Eighteen cases of foot injury caused by motor mowers were followed up by a Wellington doctor, who reported that most of the victims "were ignorant of the potential dangers of the machine that they were operating."

Most of the injuries were inflicted by air-cushion mowers – popular for mowing slopes and less accessible corners. The blade of an air cushion mower is slower than that of a conventional rotary mower, but is just as dangerous.

Its operators may be deceived by the lightness of the machine, and the almost frictionless motion provided by the cushion of air on which it floats.

The injuries "almost always involved the operator losing their footing and pulling reflexly on the mower in an attempt to regain balance," and pulling the mower back on to their foot.

Its lightness and manoeuvrability makes an air cushion machine specially dangerous. The mower is designed to hover just above the ground, but "it is easily high enough to allow a shoe underneath."

Other hints for grass tenders:

- Wet grass is more dangerous (though cut grass is slippery in all weather conditions);
- "Robust footwear with spikes or sprigs" is recommended . . . a stout leather boot would "tend to be thrust out of the path of the blade when struck rather than be neatly incised, as would a light sandshoe."

If you want the grisly details, ponder the National Health Statistics.

Of the 348 recorded mower-injuries over a three-year period, 100 were foot injuries. Seventy-five per cent "suffered tissue injuries or open fractures — the rest had amputations of part or all of one or more toes or part of a foot."

And if that isn't enough to make you buy a goat or put your lawn down in cabbages, think about the complications. Diminished walking distance disturbed balance, pain and even tetanus are among the possible legacies of a light-hearted jaunt with your lawn mower.

Health

The bran-man cometh with cure-all in his bag

by Belinda Gillespie

DR DENNIS Nurkitt, world-famous for his research on dietary fibre is dubbed the "bran man" by Kellogs, the sponsors of his New Zealand tour.

Burkitts earlier claim to fame was a description of cancer – Burkitt's Lymphona which now bears his neame.

He worked for nearly twenty years as a surgeon in a teaching hospital in East Africa and during part of that time and for the last 13 years he has been collecting material, world-wide, on the geographical and cultural distribution of the characteristically Western diseases – coronary heart disease, gall-stones, diverticular disease, *appendicities, hiatus hernia*, varicose veins, piles, large bowel cancer, diabetes and obesity.

Burkitt has come to the conclusion that these common diseases are primarily "the result of a man-made environment rather than genetic in origin."

Burkitt found that these diseases occur together in countries and socio-economic groups, and even in individual patients. He postulates that the diseases described share a common cause, or that a factor in the environment where they do not occur protects against them.

The common factor, he says is fibre – the component in food which resists digestion, and which the technological West machines out of food to save its teeth from chewing and guts from being scoured.

Third Worlders who chew their way *through three or* four times as much fibre, rarely suffer from the diseases mentioned. But, if they acquire a Western-style diet, they also acquire the Western disease pattern.

Dietary fibre sufferred from neglect . . .

Described by his sponsors as the man responsible for a "medical revolution", Burkitt acknowledges his debt to Surgeon Captain Cleave, an ex-navy doctor and author of a book of "explosive significancce," *The Saccharine Disease*, published in 1969. It suggested for the first time "with extraordinary boldness but inexorable logic," that the diseases of affluence were linked in various ways to the refinement of carbohydrate in the civilised diet – sugar and white flour are produced in place of roots, shoots and seeds.

But the *New Scientist* agrees that Burkitt "deserves the most credit for emphasising that the properties of fibre were the key to the whole issue." His book *Refined Carbohydrate Foods and Diseases* (1975) was followed last year by *Don't Forget Fibre in Your Diet* which leads the lay-person through the evidence *linking lack of fibre to disease.*

It also contains practical hints on what to eat and what to avoid.

A fit sixty-eight year old Irishman who wouldn't say no to a cream meringue, Burkitt travels with a bag of bran and claims no more than three days' illness in the last 30 years.

He advocates less fatty meat – beef, pork and lamb – and more fish and poultry, which has a lower fat content. He thinks we should halve our sugar, eat wholemeal bread, biscuits and pasta, and bran-rich breakfast cereal. Potatoes in their jackets, fresh fruit, dried fruit, nuts and lentils, are also recommended.

Going on holiday? To counteract those fibre-depleted, fatty hotel meals, "an increasing number of people carry their bran with them," according to Burkitt. He advocates unprocessed bran as a treatment for constipation, beginning with a teaspoon a day, and increasing gradually until the desired result is obtained. If you are "new to bran, you may experience wind for several weeks," but eventually this will disappear.

While the medical profession in general seems to go *some of the way with* Burkitt most stop short of his belief that a radical change in diet would benefit the general population to the extent he suggests.

"There is still much testing to be done," he admits "but meanwhile we do have sufficient knowledge on which we can act and also – to say that if Third-World communities adopt our kind of diet, they do so at their peril."

New Zealand is not lacking in its own experts on dietary fibre. Doctors Eru Pomare and Cliff Tasman-Jones have achieved international recognition in the field of fibre in human nutrition. There has also been an overlap with research into animal nutrition where Doctors Graham Butler and Ron Bailey of the DSIR are in the forefront.

There is a general view that much research is needed to place fibre in its proper perspective. There is not a case for promoting an increased use by the whole population of fibre as a "single nutrient" – adding bran to food, in other words does not necessarily make it more nutritious.

The latest American guidelines on diet suggest that there is no need to add fibre to food that does not naturally contain it, but including more wholemeal bread, fruit and vegetables is probably enough for most people.

"Dr Burkitt's revolution means a total turn in modern medicine; a vital *switch from* cure to prevention for many modern Western diseases," his sponsors claim.

But fibre is no cure-all, according to the New Zealand experts, and we need more than bran for breakfast to combat diseases of more complex aetiology than constipation. Nevertheless, there *is agreement* that dietary fibre had suffered from neglect prior to the c?nfield, and that and other less fat and sugar, a diet cereals, fruit and vegetables has a lot going for it.

Productivity takes fall

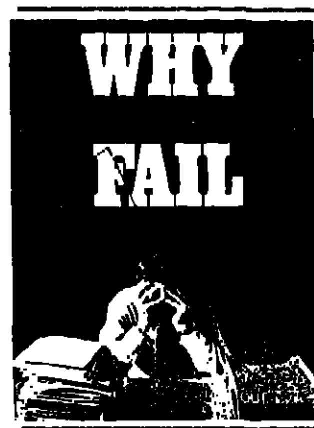
PRODUCTIVITY in non-financial United States corporations fell 0.4 per cent during 1979 – the first full-year decline in five years and only the third yearly decrease since the Government began collecting data in 1958.

The Labour Department said the decrease reflected a 3.1 per cent gain in output coupled with a 3.5 per cent rise in the total working hours of all employees.

Non-financial corporations made up about 68 per cent of the private business sector in 1979. Productivity for all private business fell 0.9 per cent in 1979.

Management

"Good guy" managers command little respect



THIS is the first in a series of two brief extracts from a new management book *Why Managers Fail . . . And What To Do About It* by John J McCarthy. This practical guide offers the first serious discussion of the human errors which defeat two out of every three managers. *Why Managers Fail* includes sections covering how some managers see their jobs; see their people; treat their people and handle themselves. This week's extract comes from the *section on how some managers see their job area.*

WHILE conducting a conference attended by 16 people, we learned that of the 16, 14 did not "like their bosses."

This was a meeting with representatives of 12 different companies. We were amazed at what was almost a universal reaction to managers and delved into the subject to attempt to identify the causes of this attitude. The causes were synthesized by such remarks as, "It isn't that I really don't like my boss, it's just that he is unapproachable . . . I like him as an individual, but I get the feeling that he really isn't interested in those of us who work for him . . . I think he regards us as tools by which he gets his job accomplished . . . I have the definite feeling that he is so concerned about his own prospects for advancement that he never gives any thought to any aspirations the rest of us have." . . . "I think my boss lacks any knowledge of my personal goals. I don't believe he has ever considered them once; he is so work-oriented that he never thinks of people!"

It isn't difficult to consider what the morale must be like in the units in which these people work. You can imagine how wide the gap must be between what results these people produce versus what they could produce if they were motivated and felt their managers were interested in them as people who have aspirations of their own.

It is the fear of being looked upon as this type of manager that gives birth to another managerial failure – the desire to be liked – to be regarded as a "good guy".

While one manager fails to tell his best people they are doing well, there is another manager (sometimes the same person) who won't tell his performers that their work is not satisfactory.

This stems from a desire to avoid "unpleasant situations" that might cause a manager to be disliked.

This fault, though laid at the door of the manager, might properly be traced to top management. How many companies actually conduct managerial training sessions on the techniques to be used in correcting unsatisfactory performance?

Many managers hesitate to conduct corrective interviews simply because they don't know how. Instead of moving in on a situation promptly, they wait until poor performance becomes habitual; hence infinitely more difficult to correct.

When the manager is forced eventually to take action the employee is understandably aggrieved and cannot help but wonder why, if the performance is so bad, nothing has been said previously.

This situation is compounded in unionised organ*isations when the poor* performance has been the failure of an employee to perform certain parts of his job. When, finally, the manager has to insist that the employee performs the neglected function, union officials often take the position that as those portions of the job have never been required before, they cannot now be considered part of the job.

It is necessary to consider two points. It is doubtful that you ever met the man or woman who *likes* to do bad work. It is equally doubtful that you ever met the person who swings his legs out of bed in the morning, and as his waking thought, asks himself, "For whom can I make life miserable today? I know – the boss!" Yet there *are* people who really do render poor performance. Why?

The most common reason is that they have never had two things explained to them: what their responsibilites are and what will be considered to constitute acceptable performance.

It is not enough to claim that *they have been supplied with* a "job description". The only job description that is important is the description of the job as the manager sees it – and that may be very different from the written description given to the employee, probably designed by an "expert" and couched in the usual polysyllables that are designed to impress rather than inform.

Too many job descriptions fail to contain specific factors of accountability – measurable standards of what will be expected. Even worse, in all too many companies, once the job description has been supplied to an employee it is considered to have performed its function and is consigned to a desk or file drawer and rarely, if ever, referred to again, unless it is resurrected at a later date to be used during an employee "rating" period.

Job requirements change, but frequently the official description is not altered to reflect the changes.

The job description may represent the manner in which your predecessor (the employee's previous manager) wanted the job done, but it may be a far cry from the manner in which you want the work performed.

A common reason for poor performance is poor communication. Volumes have been written on the snares and pitfalls of semantics – how a manager, for example, may say one thing and his subordinates may hear it as something quite different. How many managers, in giving instruction, ever take the time to use the reliable technique of asking the listener to give his or her version of what they have just been told will be expected of them?

Poor communication can, in this manner, often be nipped in the bud. This may be regarded as a simplistic solution to problems of communication. The fact is that, in most cases, it works.

Consider for a moment what has been said in our treatment of this cause of managerial failure. In effect, we have said that most people want to do at least acceptable work. The failure to do so is often the result of reliance on job descriptions, changes in managerial expectations that are not incorporated into revised job descriptions, or are not passed on to the employee and semantic traps.

This means chances are great that a corrective interview does not have to be at all unpleasant.

It may, in fact, represent a refreshing experience and certainly a productive experience. It is of such importance that a separate chapter will be found that deals with the subject of how to conduct a corrective interview.

Union coverage legislation trawls up unrest

by Rae Mazengarb

ROUGH seas are ahead for the fishing industry in the wake of the passing of the Fishing Industry (Union Coverage) Act 1979.

Even though the Watersiders Union lifted its ban on handling export fish, last week's meeting of industry groups and FOL-affiliated unions pointed to a long and bitter battle being fought.

The issues go wider than simply the fishing industry. For the unions who are opposing the legislation, it's just the thin edge of the wedge.

They say union coverage is a dangerous precedent which doesn't start and end with the fishing industry.

For this reason the Harbour Boards Employees' Union have also indicated they will support the watersiders all the way. Sources say this could mean complete wharf closure if necessary.

The issues are clouded; there is a divergence of views to be found even within each of the groups involved.

One union source suggested the loading bans had nothing to do with the fishing union coverage issue. Rather, he said it was a smoke screen and that the ban related simply to a break-down in award talks.

This theory was very quickly denied by Watersiders Union national secretary Ted Thompson.

Rather, it is more generally accepted the ban relates directly to the entry of large foreign vessels to the fishing industry.

While the watersiders were happy to let local fishermen discharge boats traditionally, they were concerned to get in on the action where the overseas fishing boats were involved.

With their own work diminishing round the country's ports, they were concerned about foreign labour reaping jobs considered rightly theirs.

Nonetheless, it is generally agreed that the union coverage issue will not die a quiet death, since that would show a clear weakness in the FOL movement.

The FOL has described the legislation as "repugnant", legislation which rather than smoothing the development of the industry, would lead to continued confrontation.

Having lost the initial battle to stop the Act going through, the FOL appears to have no intention of admitting final defeat.

But some observers were last week suggesting the Government could throw a face-saving lifeline to the unions, which would leave them room to back off quietly.

Meanwhile, the fishing industry itself has made no move toward setting up an industry-wide union as provided for under the Act.

Industry groups say a union would neither be required nor appropriate.

As far as the fishing industry is concerned, until the advent of joint-venture fishing arrangements, aside from a few isolated incidents over tuna operations, industrial relations were never a problem.

This is because traditionally, fishing has never involved a master-servant relationship. Fishermen are paid on a share basis, participating in both the risks and profits.

As the Fishing Industry Board said in its Bill submissions: "The board represents an industry in which, with the exception of the processors/processor workers, there are no employers/employees in the usual sense of the word. We do not subscribe to an anti-union view, but merely wish to ensure that the industry's rights to perform its normal business in the usual way are protected. . ."

"It was the introduction of these larger vessels which led certain unions, not involved in the fishing industry, to attempt to expand their activities into this field in the mistaken belief that fishing can parallel transporting activities or that fish at that stage of its processing can be regarded as cargo," the board said.

The board did not seek to exclude watersiders from work that had customarily been theirs handling the final export cargo — but it did recognise "the need to protect (the Federation of Commercial Fishermen and the Share Fishermen's Association) against the demands of other unions, not involved in the fishing industry".

Hence the board supported the Bill, but has made no moves toward helping to set up an industry-wide union; rather it seems content to know the legislation is there to "protect" the industry from FOL-backed union influence.

The commercial fishermen, who one union source said were "conned" into going along with the legislation, were last week discussing the issues with the waterside workers.

It seems from their point of view, that the chief worry is if the unions get "a leg in" on the joint-venture fishing operations, they would keep pressing for more.

The commercial fishermen feel not only do they not want to be "subjected to the whims of the FOL" but that union involved would push up the cost of fishing operations.

The commercial fishermen have looked into the possibility of forming an industry-wide union but like the board, they don't see the need for one right now.

They also say they cannot see how a union could readily be formed, because of the differing interests.

As one source said, referring to the former group's links with the FOL, "I can't even see how the Share Fishermen and us can get together".

He added, then there are further problems with the process workers, and the boat owners. Would the owners be in the same union as the crews, for example?

Process workers — who under the legislation are excluded from union coverage while unloading, despite a recommendation otherwise by the Fishing Industry Board — appear, so far to be carrying on much the same as before. One source said, though their award no longer applies, in reality their position has not changed.

But the process workers themselves appear to be divided. Several independent industry sources suggested there was opinion divergence within the union; that despite strong pressure from the FOL to do something about their position, the workers at the local level, are backing the companies.

Speaking for the fish processors, national president of the Food Processing and Chemical Union, Garth Fraser said as far as he was concerned there was "no issue". The process workers have an agreement with the FOL and the watersiders which "we intend to honour", he said.

While Fraser points out, the process workers have no union standing whilst unloading vessels — hence a no union protection because of the legislation — the real grievance is much wider.

The fact that the Government is now "dictating" who ought and who ought not be involved in the industry is the crux of the matter.

Fraser admits this is the disturbing factor if the Government can exclude union involvement in the traditional sense by creating a state-controlled industry-wide union for the fishing industry, it can do the same elsewhere.

Catch battle of who unloads.

Fraser advocates the setting up of an industry-wide committee to watch over the industry.

That committee would be an effective lobbying force and would work far better in the long-term interests of an industry which needs expert steering he said.

Yet joint-venture partner R C Macdonalds Ltd and the Fishing Industry Board last year panicked many groups into going along with the legislation, he said.

This was apparent from the contradictory statements of the commercial fishermen in their submissions on the Bill, he suggested. Seeing the watersiders as a potential threat they were "sucked" into supporting something they didn't really understand.

Fraser said the handling of processed fish issue was a red-herring. The process workers and the watersiders had worked out among themselves just what was processing and what was the work of watersiders, but because of the "well-intentioned" actions of some people, the industry was in danger of coming to a stand-still.

Because of this, his union would be taking steps to enforce resolutions taken at a recent meeting of process worker delegates ("from 93-95 per cent of the factories"), he said.

The union opposes the granting of bunkering facilities to overseas vessels. And it does not feel the Government is doing enough to protect the industry from vessels which are using undersized mesh nets.

Hence the union advocates bans on all vessels — and the companies involved with them — which are arrested on those grounds.

The FOL is co-ordinating the opposition to the Act from the union side of things. For the FOL, the legislation is a threat to the union movement; and after the fishing industry, "union coverage" will no doubt be tried elsewhere — when the energy industries start to take off, for instance.

More specifically, the FOL opposed the law on the grounds that:

- It provides for a Government-controlled union (Government determines the membership rules);
- It is designed to ensure workers in the industry are not represented by any union;
- It will lead to utter confusion on the waterfront, and increase disputes;
- It is designed to ensure that if a union should be registered it will be totally ineffective;
- The legislation is contrary to the principles of freedom of association.

Early last week the FOL and the fishing industry groups met for an "exploratory" meeting on the issues. But the only public comment from that meeting was a formal statement which explained there had been "cordial discussion on industrial matters".

A shandy a year defeats teetotal policy

A SUPREME Court judge in the State of Victoria, Australia, has ruled that a policy-holder could not claim $A30,000 under a teetotaller's fire insurance policy because a Christmas shandy — if only once in five years — infringed the policy conditions.

The policy-holder, suing Ansvar Australia Insurance Ltd, tried to enforce a claim after his timber home was gutted by fire.

He told the court he sometimes had a light shandy at Christmas, though it was more than five years since he had his last drink.

Mr Justice McInerney held that a person who from time to time drinks a glass of beer or a shandy is not a non-drinker within the meaning of Ansvar's teetotal policy.

He said: "A man who once a year, at Christmas, has a drink is to be regarded as an occasional drinker, and is not within the definition of a non-drinker."

The policy was taken out in May 1976 and fire destroyed the policy-holder's house in June of that year.

A spokesman for Ansvar, a company specialising in teetotal insurance, said it required policy-holders to state clearly whether or not they had drunk in the past, and to give a firm undertaking not to do so in future.

The company is known in Australia for its insurance for teetotallers, and this condition is in no sense part of the fine print on the policy. The disappointed policy-holder is reported to be considering an appeal.

Manufacturing

Big boys bomb and locals take over for replay

SMALL business interests in Dunedin have received a psychological boost from an irony which has developed out of the George and Ashton closure.

George and Ashton began in the early 1960s as a backyard hobby in fibreglass work.

As the commercial interest grew, George (a trained chemist) and Ashton (a plasterer) set up business on a small scale.

Their custom fibreglass moulding operation continued to expand through the 1960s and they moved to new premises on Dunedin's foreshore, picking up some good contracts, particularly in fibreglass fishing boats.

By 1970 the firm had built up to more than 20 employees, and because of the diverse custom nature of their work they became very skilled and experienced in an expanding industry.

In fact, the company was ripe for the plucking. Enter Alex Harvey Industries.

AHI, through New Zealand Fibreglass Ltd (60 per cent AHI and 40 per cent Owens Corning Corporation of America) bought the business outright, but retained the expertise.

The original partners were kept on under a service contract.

Bill Ashton left the company eventually for health reasons, and established an apricot-drying operation in Central Otago. But Ted George stayed on, drawn mainly by the challenge of traditional George and Ashton custom fibreglass work.

But when AHI decided last year to phase all this work out and concentrate on containers only, Ted George and a handful of the remaining highly skilled workers left and set up a new company, Polycraft Services Ltd.

Although AHI had expanded the George and Ashton factory to 189 employees by mid 1979, many of the original partners were upset that the traditional work and customer servicing of the company had been abandoned.

The four partners who left to set-up Polycraft Services took non-container contracts with them. These were contracts AHI did not want, and which they could not have fulfilled anyway, since those who left took the experience and expertise necessary with them.

The contracts included three 8.7 metre Karitane fibreglass fishing boats, and the company is also already involved in several sizeable custom-moulding contracts.

So when AHI announced the closure of George and Ashton with the failure of the container operation, Polycraft Services offered to salvage parts of the non-container operation and buy some of the plant.

In other words, where AHI went big but bombed out, the original workers are picking up the pieces and starting out again in what promises to be a replay.

But this time the ending will be different. The Polycraft Services partners are determined to keep the operation small and local. They are prepared to absorb some of the skilled workers from George and Ashton, and some of the plant and work.

But Ted George maintains any expansion will be in areas where work can be sustained, and the company is being run on a worker-owner basis.

Although talks between Polycraft Services and George and Ashton have taken place, no decisions have been made yet.

The situation must be proving slightly embarrassing for AHI, but the ball is clearly in its court, because Polycraft Services management, having been once bitten, are twice shy when it comes to talks of expansion.

Perhaps the ultimate lesson AHI has left in Dunedin with the failure of its transitory container operation is that big is not always beautiful, and that it is the smaller local enterprise that often forms the backbone of a stable community and long-term economy.

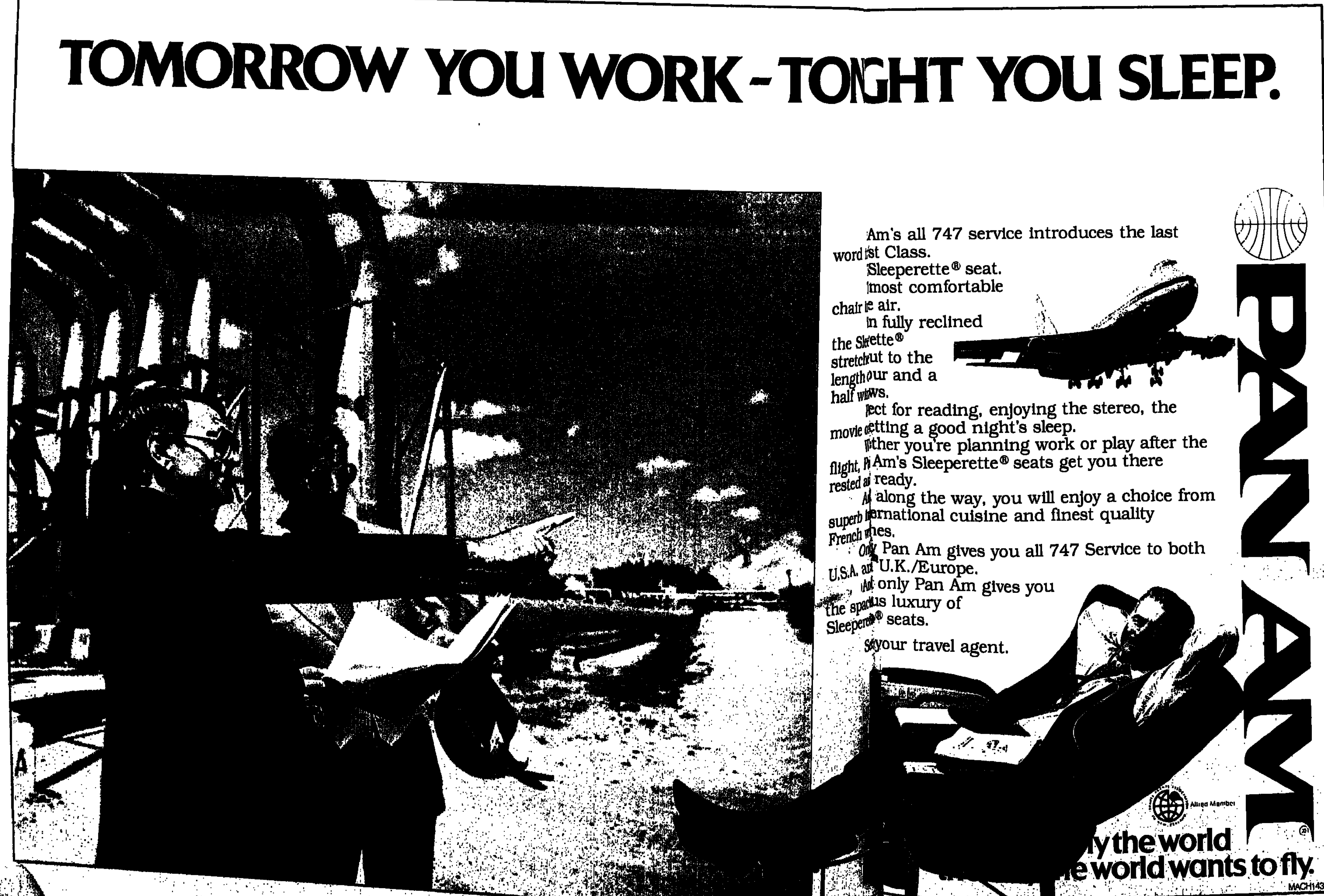
Wholseale prices rise

WHOLESALE prices rose 1.6 per cent in the United States in the first month of 1980, the largest increase since November 1974.

Sharply higher gasoline and heating oil prices more than wiped out a substantial decline in food prices. Gasoline prices rose 5.7 per cent in January and heating oil prices rose 2 per cent.

Wholesale prices for beef, veal, pork, eggs, and fresh fruits dropped, after rising 0.2 per cent in December and 2 per cent in November.

The wholesale price index, called the Producer Price Index for finished goods, measures price changes of goods right before shipment to retail outlets.



Science & technology

Do-it-yourself genetics approach slows NZ

by Belinda Gillespie

A LACK of risk capital, rigid interpretation of regulations, and the "do-it-yourself" Kiwi approach has left New Zealand behind in biotechnology – the science of manipulating microscopic bugs to desired ends.

Genetic engineering, one of biotechnology's techniques, is a phrase which sends cold shudders down the spines of environmentalists.

DSIR researchers a few years back who were using the technique were reported to have developed a "killer organism" which attacked pine trees. Public alarm and the potential threat to New Zealand's forestry industry stopped any further research.

Bill Sutton, who conducted the controversial experiments at the Palmerston North DSIR plant physiology section, explained that they had aimed to explore some of the agricultural applications of genetic engineering.

Experiments were made to see if nitrogen-fixing bacteria could be introduced into plants other than legumes (such as clover and lupins, where they exist naturally), enabling them to form their own supplies of nitrogenous fertiliser.

The pine seedlings, to which a "modified fungus" had been introduced in the nitrogen-fixing experiment, died at an early stage. Sutton said the theory that he had bred a "killer" fungus was subsequently disproved, and that the experiments had failed because of "a failure of technique."

Restrictions on research of this type were promulgated through the Ministry of Science and other relevant government departments. The universities were


Bill Sutton . . . "killer" fungus disproved


Fungus . . . a failure of technique

requested, and agreed, to comply with the new guidelines, which were described by Sutton as more restrictive than anywhere else in the world.

Although the DSIR has constructed a containment laboratory for such work, Sutton says he is not pursuing his earlier research, and has moved right away from the practical applications of microbial work.

The result of the debate on Sutton's work – described in 1977 as "potentially the most dangerous genetic engineering experiments in the world" – and the restrictive guidelines was a severe setback to research of potential significance to New Zealand agriculture.

Peter Bergquist professor of molecular biology at Auckland University, is using genetic engineering techniques for his work on characteristics of plasma molecules in disease states, and the question of why antibiotics are not universally effective.

Although the Ministry of Science guidelines, which Bergquist helped to develop, do not stop his research, a "complete paralysis" by the university following the pine tree scare was "crippling internationally."

Bergquist continued research intermittently during a period in Britain, and in periodic hops to Canberra, but was unable to work in New Zealand for 14 months – losing ground he could not recoup in the fiercely competitive and expensive research sphere.

Environmental fears had been "overstated", according to the concensus of scientific opinion at a recent international meeting.

For most practical purposes the risk is minimal if good hygiene practices are followed – pathology labs have been carrying out their work for years without infecting anyone with disease, and the hygiene involved is similar, Bergquist said.

While New Zealand's guidelines were more stringent that other countries, they were developed to be applied with some flexibility.

But they are "regarded as engraved on stone," said Bergquist who, like Sutton, believes there was a general over-reaction to the Palmerston North experiments.

New Zealand scientists could get more involved if companies were prepared to put up risk capital to finance the expensive research. The United States dominates the field, the pace-setters being small companies, usually started by university scientists with risk capital backing.

There are many possible applications for biotechnology here, Bergquist says, particularly in the energy field.

Work is going on at Lincoln on energy production from the fermentation of sugar beet and there are many possibilities for improving fermentation processes by gene manipulation.

"One guy in a lab just isn't enough," said Bergquist. In California there were numerous laboratories with teams of 20 to 30 people working on research projects – but research funds here don't go to hiring specialists. "One scientist has to be able to do everything – the do-it-yourself Kiwi approach – where we need a specialist emphasis."

Fuel and disease spur biotechs

WHY should industry and governments want to invest in biotechnology?

Biotechnology includes the ancient art of fermentation – used in the raising of dough and brewing of alcohol.

The new wave began in the 1960s when enzyme structure was elucidated, and immobilisation of enzymes made industrial applications possible.

The current wave of interest follows the discovery by molecular geneticists of ways to manipulate and transfer DNA between organisms – a breakthrough of enormous industrial potential.

Some possibilities:

- New pharmaceuticals, made cheaply by fermentation. Human hormones, enzymes or antidbodies will make the extraction of these substances from animals obsolete.
- Processes for human growth hormone and insulin already patented, and there is a world-wide chase for interferon, predicted to be wonder-drug of the '80s.

(Biogen, a Geneva-based company, applied for patents in January for its process to make interferon, hailed as a possible treatment for viral diseases and cancer.)

- New cheap, safe vaccines – hepatitis B and influenza vaccines are already under way. Even measles and the common cold may succumb. Cheap animal vaccines will increase agricultural productivity.
- New and cheaper methods of diagnosis for medicine.

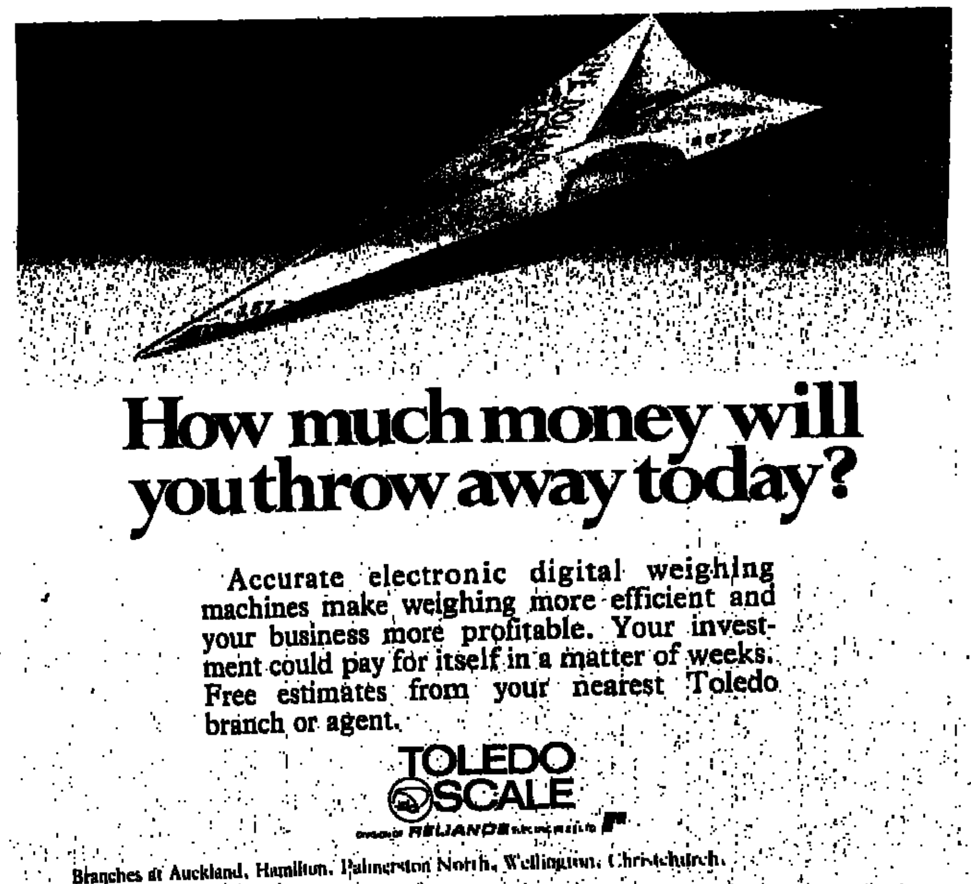
Biotechnology has come into its own with the shift in terms of trade and in public opinion from fossil fuels to renewable energy resources.

Brazil leads the way with its schemes to produce ethanol from sugar cane or cassava as a fuel for cars. New Zealand, among other developed countries, is beginning to examine its own resources of biomass for energy – wastes such as whey are an obvious target.

As environmental pressures put up the cost of waste disposal, biotechnology has become a feasible means of converting them to useful products.

BP, Shell and ICI have processes for growing micro-organisms for animal feed on oil and methane by-products, though only ICI's methanol process is currently judged economic.

As petrochemicals become more expensive, there are bright prospects for biotechnology in the production of bulk chemicals. Japan so far leads the way in this use of its fermentation industry, which in total represents 2-3 per cent of the Japanese GNP.



New generation of novice miners and market punters chase crock at rainbow's end

Christchurch Correspondent

FROM weekend licences to pan gold, to sharemarket punting in speculative shares, the southern mining boom of the 1980s is underway as a new generation of novice miners and market punters chase the pot at the end of the rainbow.

Those to locate it so far have been the fortunate few individuals and the smaller private companies which have been active for years. The listed public companies are curtailed by new attitudes over mining in national parks or by taxation changes, royalties and pricing.

With the world price peaking at $875 an ounce in January, gold is still the major target for the private and public prospector. But the hunt for oil will resume in the south next summer and other strategic metals are known to exist.

It is 25 years since the mining world buzzed with news of a hopefully rich uranium discovery in the Buller Gorge by two old-timers. Within days every inch of the rugged gorge was pegged by prospectors and geiger counters were as popular in Westport as were tales about a New Zealand Rum Jungle or Mary Kathleen.

Individual claims have been relinquished since then and major foreign consortiums have been the only ones to carry out detailed exploration on both sides of the Buller River.

Lime and Marble Ltd, of Nelson, is the leading New Zealand participant in the Buller search but work is believed to have dwindled. The company is expected to soon seek a mining licence for the Mikonui gold prospect in South Westland where it has held prospecting rights for some time.

Gold rush . . . everyone has a go

The Mines Division of the Ministry of Energy confirms that the 1980 gold rush is showing no signs of let-up.

Asked if the division's Greymouth office was experiencing a slower pace of applications for mining licences, a spokesman said: "You've got to be joking. The flow is about 20 a week with a very large pile in front of me."

He estimated there were 700 licences out on the Coast and vast numbers of prospecting rights, (available at post offices as well as the department for $2 each). A prospecting right gives access to unoccupied Crown land.

State forests are not unoccupied Crown land and also require forester's permits. Only hand equipment may be used there.

A prospecting licence entitles search in up to 4000 hectares for three years and holders later may seek a mining licence over 400 hectares.

The mining licence may apply for up to 42 years.

An exploration licence for which there have been far fewer applications covers an area of 40 to 500 sq km and is usually granted only where the ministry is certain the company concerned has the resources to handle such a sweeping search

The Christchurch-controlled Blackwater Gold (Waiuta) Ltd, founded by the late timber industry figure Neil McVicar, has held a prospecting licence for some years and is advancing to the stage where diamond drilling should soon start.

Blackwater will test McVicar's theory that a great mother vein of gold linked the old quartz mining area round Waiuta with Reefton. An earlier cross-cut tunnel which he financed will be included in the new prospecting work to be continued by West Australian company Samantha Ltd.

Waiuta was the last quartz mine in New Zealand. A collapsed shaft destroyed the ventilation system in 1951 and the company turned away from the remaining gold.

The only significant gold producer is Brierley Investments Ltd's Kanieri dredge operation. The company awaits permission to transfer to the Grey River Valley (but there are no signs it will be given).

The dredge is ploughing its way down the Taramakau River, where it has been winning more than 6000 ounces of gold a year. It was out of action when world gold prices reached peak levels, but is now back in business.

The American giant, Amax Exploration NZ Inc, which has linked with Mineral Resources NZ Ltd in an exploration licence near St Bathans and Leaning Rock, in Otago, has applied for licences to explore the Grey River Valley.

Otago has been the focus of other speculative gold exploration.

Mines officials have been swamped with applications for exploration licences, some of which will take months to clear. About 80 mining licences are already "out" in Otago, covering smaller areas than exploration licences like the one granted Gold Mines of New Zealand over 80 sq km in the Cromwell area.

Australian Anglo American subsidiary still awaits decisions on exploration licence applications for 378 sq km near Omakau, 365 sq km near Gimmerburn, 249 sq km at St Bathans and 342 sq km at Lindis River.

Amoco Minerals NZ Ltd – an offshoot of the Standard Oil Company of Indiana – has had a licence approved for 492 sq km in the Old Man Range and is interested in gold and silver prospecting in a 476 sq km area of Dunedin city and suburbs, Port Chalmers and Mosgiel.

Amoco hopes that reports of gold deposits near Portobello and Green Island last century will prove to be valid. It will test the old stories by using modern magnetic aerial photography. But if it finds a lode underneath the Octagon it assures the Dunedin city fathers a mine won't follow.

CRA Exploration Ltd holds licences for three tracts totalling 1500 sq km near the Westland Otago boundary in the Mt Huxley area, and at Mt Aspiring it aspires to locate diamonds.

Diamonds! CRA surprised Australian financial circles by turning up the gem in two separate discoveries in West Australia last year.

Broken Hill Pty Ltd is probing Otago tracts. Bronze Boulder NZ Co of Lower Hutt has sought four exploration licences in Fiordland, and NZ Steel Mining and Ceramco have applications in for tracts in the Makarewa area.

Shotover Kawerau Consolidated Ltd surfaced, after an absence of some years from the spotlight, with word that it has been granted a three-year prospecting licence after four years of waiting.

The licence covers a 61 hectare area in the river bed between Cromwell and Queenstown, with the focal point of Kawerau River bridge. The licence was subject to town planning approval and objectors seem likely to echo the same complaints laid against the Grey Valley plans by Brierleys.

Shotover Kawerau says bulldozers and a scoop shovel would be used to search for alluvial gold and there would be no dredging or damage to river banks. Preliminary work is hoped to start this winter.

Another Christchurch company, Ryan Mining Co Ltd remains tight lipped about its work in the same area but is believed to be justifying at current high world prices the decision by Barney and Jack Ryan to sell their successful demolition company in Canterbury and search for gold.

In the 1970s the intrepid Ryan Brothers – the same pair who sealed the Haast Pass scenic road in only 16 weeks in defiance of Ministry of Works and Development predictions the job would take a year – toiled their way to high enough rewards in the Shotover to justify continuing. They themselves have confirmed the discovery of a seven ounce nugget there.

They bought almost 50 per cent of the SKC licences for cash plus a percentage of the gold won while SKC originally held 40km of river on which the Ryans held an option to make a bid should SKC ever decide to quit.

The original arrangement meant that the Ryans would pay a small royalty to SKC for any gold won on SKC licence areas but the Ryans did not work those licences, striking "colour" on two other licence areas they already owned.

SKC's history stretches back two decades to the time when retired Christchurch hydro-electrical engineer W A Dunstan applied to the Warden's Court for permission to build two weirs on the Shotover River, one at the Branches, about 20 km from the confluence of the Kawerau and Shotover and the other at Big Beach, 5km from the confluence.

Both sites are in fast-flowing narrow gorge territory but with large river flats above.

Dunstan wasn't the first with the dream of damming the powerful river. Prime Minister Julius Vogel was enraptured by the same thought and Dunedin investors lost $140,000 in 1926 when a Kawerau dam simply resulted in waters backing up from the Shotover.

Dunstan believed two weirs could solve the problem and provide dammed water for electricity generation.

One proposal called for a tunnel to be driven through a hairpin bend in the Kawerau, 8km from Cromwell, exposing more riverbed for possible gold recovery and enabling a power station to be constructed at the outlet.

Finance ran out and SKC shares were advertised in the 1970s.

The schemes remain dreams and SKC has yet to turn up "colour" for its shareholders.

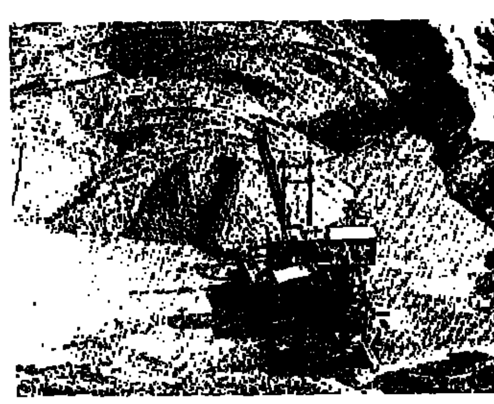
The Treasury's wide-ranging *Growth Opportunities* skims the southern mineral prospects noting: "It is likely that there are substantial amounts of gold in underground lodes and with new techniques being developed for locating such deposits the outlook is promising. Several international companies have shown interest and already hold under licence a significant proportion of auriferous areas.

"Scheelite lodes in Otago warrant further investigation for large scale mining. This tungsten ore currently fetches about $10,000 a tonne and some of the ore contains gold.

It adds "Molybdenite occurrences in Nelson have attracted several international companies which are drilling to determine the extent and quality of the deposits.

"Extensive quartz gravels in Southland and Otago have been investigated in the past in the context of ferro-silicon and silicon carbide industries.

"Recently, interest has been reawakened internationally in view of the availability of electricity in the south." It points out the close proximity of coal deposits needed for such industry.



Professionals . . . price rise justifies further efforts

L and M is already involoved in mining bentonite in Canterbury for use as a bonding agent and drilling mud and that province also has deposits of silica and china clays.

Further to the south in Fiordland National Park, another "miner" remains hopeful that it will ultimately gain approval from the State to continue with suspended work. Consolidated Silver Co Ltd was involved in a sharemarket flurry when the stock exchanges opened at New Year but the rally quickly petered out, just as the stock had crashed from its high flying level of $5 a share in 1970.

Sharebrokers were reminded recently in official bulletins that Consolidated Silver wants to mine the beachsand deposit it fell back to when the Government vetoed its controversial Mt George ilmenite mining proposal in the 1970s on the grounds that it would have despoiled a national park.

In that huge project, ore would have been mined underground and plant housed in subterranean chambers with slurry tunnels linking the vast mine with ships standing off in Doubtful Sound. It sounded doubtful to the ministers concerned at the time as far as environmental safeguards were concerned.

Pre-1978 mining law enabled companies to proceed without further ado to actual mining operations if they held a prospecting licence. An amendment to the Act in 1978 deleted the progression and introduced a virtual two-tier system to safeguard the "national interest".

Consolidated Silver re-applied in 1978 for permission to prospect the beachsand area in which it, and overseas partners Western Titanium Ltd and Consolidated Goldfields Australia Ltd, were proposing a feasibility study several years ago. Approval for Consolidated Silver to resume the delineation of the prospect is still awaited and much will rest on the nature of its mining scheme.

Apart from the national park aspect, there would presumably also be need for a covenant governing sale of the strategic metal rutile, which the company believes exists in vast unproven reserves.

Oil search awaits summer season

THE West Coast oil search should resume next summer if an offshore drilling rig is located and if the fine print of the Government's 1979 petroleum mining legislation is acceptable to potential overseas partners of New Zealand Petroleum, the listed public company interested in pursuing a programme offshore Hari Hari.

Major issues such as price-fixing have been settled and with world parity prices negotiated, the rising price of oil to $26-30 a barrel underpins any successful drilling. But the licence area is just as likely to be either a gas zone . . . or dry . . . and NZ Petroleum has been anxious to clarify the exact sequence of the offshore gas levy.

While the company has been waiting for the Ministry of Energy to reply to questions on the precise applications of the revised oil policy, its foreign partners have coyly kept to the sidelines. NZ Petroleum has long had links with Triton Oil and Gas Group of Dallas, Texas, whose president W J Lee sits on the New Zealand board. But Triton have been a reluctant starter before, when Government policy hasn't pleased it.

NZ Petroleum will farm out to American interests because it needs the cash to finance any search, though the standard practice of state-owned oil company Petrocorp will contribute 40 per cent of the costs in return for 51 per cent of any production.

NZ Petroleum's books are fairly depleted with current assets down to $241,212 last year after a history of 14 successful wells, two of them onshore in the same region. These two wells, Hari Hari 1 and Waiho 1 yielded useful geophysical information which in conjunction with offshore seismic work suggests a target structure is worth probing.

There is some hope of economic discoveries being made of shale oil deposits in Otago or Southland. Current New Zealand reserves are low yielding but contain about 10 million tonnes of oil about 2.5 times the nation's annual usage.

Off Southland, only six wells have probed the Great South Basin's vast 77,000 sq km zone, four of which had hydrocarbon shows.

Numerous structures are believed to remain as prospective with the Sea Hunt consortium not exploring all major structures before its withdrawal from New Zealand to await more attractive terms for exploration.

Petrocorp is expected to resume exploration on the West Coast after its Taranaki search pauses or possibly with a shallow rig such as the one already used for its early West Coast "dusters" around Kotuku.

Former Energy Minister George Gair spudded Petrocorp's first well, Aratika 2 on November 15, 1977 and it was abandoned on December 9 that year with uneconomic basement at 1149 metres. Aratika 3 was spudded 4km away and 2km from old Kotuku wells drilled earlier this century. It reached basement at 1700m and Petrocorp moved on to Ahaura 2, hoping to locate gas in marine strata but this well was also dry.

Petrocorp's search shifted to the East Coast and then to Taranaki, where it has drilled an abortive and expensive Toko 1 well and is now testing two prospective zones in the McKee 1 well.

Should it return to the West Coast, the likely location is believed by *NBR* to be at Kokiri with efforts being made to encourage participation by some major public companies such as Challenge and Fletchers.

I and M Oil are understood to have been approached to also participate in a Kokiri search but the listed oil explorer remains clearly incompletely satisfied with the terms of such a programme and prefers to switch its oil hunt to the more attractive mining environment of Australia.

Transport

Shippers council for manufactured exports

by Bob Stott

QUIETLY but steadily, the country is moving towards a fully fledged shippers' council.

Such councils are common overseas where they consist of shipping and air service users — importers and exporters.

They are a logical response to shipping conferences.

In some cases conferences and councils have evolved together as buyers and sellers of shipping services have hit on the same solution to end perpetual skirmishing.

The formation of councils and conferences is not difficult to understand. Shippers want regular services, timetabled if possible, and predictable rates — a service like international parcel post.

Shipping lines, specially where specialised tonnage is needed, want to know they have a long-term role to play in a particular trade. They do not want to buy ships with a life of 15 years for a trade which might have gone to a competitor in a year or two.

New Zealand historically has followed this pattern: the lines serving Britain and Europe have worked as a conference, while the exporters (the producer boards) have also worked in concert, as individual producer boards, and jointly through the Exports and Shipping Council.

The difference in the New Zealand context is that the "shipper's council" has been primarily designed to serve the needs of farm produce.

In the past this did not really matter, because non-farming exports were insignificant. Today, manufactured exports (and imports) are growing steadily.

But until recently, the shipping service users, not in the field of primary production, has been unable to make their voices heard in the way that farming industries have been able to.

Non-farming interests are beginning to group, and as their share of the total trade grows, they move towards a situation of influence on shipping lines on rates, level of service, quality of service and so on.

But it will be a gradual process.

Significant progress has been made however, starting from the mid-1970's when the Federation of Chambers of Commerce was approached by a major general cargo exporters' association which had had problems in discussing freight rates with the shipping lines.

The association suggested the Chambers could convene a meeting of all general cargo service users. The meeting was held, and out of it came a realisation that the volume of cargo not associated with the producer boards was small at that time.

It was also realised that such a group could hardly be called a shippers' council unless the producer boards joined in. In Australia producer boards and all other shippers comprise the shippers council in that country.

But the New Zealand producer boards, well set up in their own relationship with the lines, did not want to join.

In the end the General Cargo Freight Committee was evolved, a group with insufficient weight behind it to negotiate freight rates, but nonetheless one able to make representations to the lines on matters such as freight rates and service levels.

But the new committee did not have the strength of cargo volume, even though it was representing importers as well as exporters. The Trade Promotion Council was also showing an interest, at that time, in the formation of a shippers' council.

Since then the committee has had talks with the Exports and Shipping Council with which a cordial relationship has been created, and the committee has extended its scope to cover air freight.

The providers of transport are co-operating too. If the committee is, for example, discussing aspects of trade with Europe the conference concerned is invited to send a representative. Shipping lines and airlines are also working in with the committee.

The general cargo shippers will gain in strength as manufacturing in New Zealand grows.

Already, the committee has gained more weight because of growth in trade of manufactured goods.

Eventually the traders and manufacturers will have something worthwhile to offer primary producers and the outcome will be a united Shippers' Council.

The non-farming trade is a lot more fragmented than the trade in farm produce. In the case of the farming industry, the producer boards in effect own the cargoes. The producer boards are able to exercise complete control over all meat, wool or whatever.

When they sit down with the lines to negotiate, they control very large quantities of cargo.

Such control is not possible over the non-farming trade. There is no way that all exporters in the manufacturing sector can join an association or council which will speak on their behalf.

The point is made by the recent experiences of the wool industry where the Wool Board's statutory right to all wool cargoes has been queried by some who would rather see non-conference shipping used for wool exports.

In the field of manufacturing a shippers' representative group would not have the producer board's power over cargo. A major task will be to convince exporters and importers of the value of, not only supporting the form... of such an organis... with it the value of ... thin. throu... other groups in fact ...have to exercise a fair degree of self discipline. They will have to be convinced — or convince themselves — that individually they will never do as well as they will when acting in concert.

There will always be a line with a bit of spare space off season and willing to offer a low rate ... but the user of such a service will most likely find next year's rate far higher owing to an upsurge in the market or whatever. He will have no choice but to pay.

So it is all a matter of strength through unity. A broad-based shippers' council should be seen as the correct and logical response to shipping conferences, as a way of maintaining a balance between user and provider.

For this reason the General Cargo Freight Committee is deserving of full support.

Personnel

Male malaise mid-career: Massey management theories

by Glenys Hopkinson

TOO little attention has been paid to the critical mid-career malaise which strikes even key managers in the middle years of adulthood.

Massey University Business Studies Professor George Hines has some radical theories on how the mid-life transition period can be used to revitalise people facing career dead-ends.

He says managers should capitalise on these critical years, for retraining employees, and open the way for new career opportunities.

The mid-life crisis — also known as the dangerous 40s — is well-known to marriage guidance counsellors, and to personnel officers, as the years when divorce and job-changing are frequent, he told delegates to an international training and development conference in Manila.

"It is remarkable that, while psychologists have long devoted attention to childhood, adolescence, and, more recently ageing, relatively little time and energy ... the ... directed to ... of adult twisted ...," he said.

devel...ationally, awareness ...the importance of this phase in human development — a recognisable stage in the male adult life cycle — and its relevance to management, was growing, said Hines.

Adult development promised to become a priority target for psychological research in the next quarter century.

He emphasised the importance of retraining 40-year-olds as one approach to offering substantial gains.

He outlined the results of a Massey research project, started eight years ago, to study the work motivation of managers and employers.

The results showed declining job satisfaction among middle-aged males.

They supported the theory of psychologist Erik H Erikson that disintegration took place during transition from 40 to 45-year-olds — re-thinking one's past, making comparisons with others, and dre... ing new dreams, Hi... well-

Job instabil... phenomenon documen... ...ger age groups amo...as less commonly ...cognised among middle-aged males, he said.

George Hines . . . emphasises mid-life retraining.

The Massey surv... demonstrated declini... ...le- satisfaction amo... university aged males ...ersity back- and ...

...here is a need for policy-makers to acknowledge that employees, even key managers, become stale, and that significant improvements to organisational effectiveness can be bought about through their rejuvenation," Hines said.

"Updating employees is usually far less expensive than bringing in new blood, or hiring additional people, to fill specific gaps in an employee's abilities."

Another Massey study involved asking 112 managers to rate the importance of a range of life crises — divorce, death of a relative, or financial failure.

Analysis comparin... graduates and non-gra...d- revealed that gra... ...cal crises ed to experi...ge than non- at a l...

Hines said that, from a human resource point of view, the 40 to 45 year-old period offered a great opportunity to influence a person towards renewal of purpose within the firm.

"Most trainers are familiar with a malady, common among mid-career individuals, called accidie, or a generalised feeling of malaise, brought about by the realisation that one will never achieve the highest (and perhaps unspecified) goals of youth," he said.

"It is the work parallel to the affliction that besets many otherwise happily married middle-aged men, resulting in affairs with women half th... ...onal age.

"In both the ...s, the in- and perso... grow tired, divi... ...perhaps, no longer ...llenged, especially after some 20 years of routine."

Attempts made to overcome this "life passing me by" feeling, with accommodations outside work or marriage, cannot replace the zest for life and growth that work and family provide.

Hines said the transition was a critical phase for retraining, because individuals were seeking to focus their attention on new horizons.

"Large organisations, such as multi-national companies, the military, and government departments, have long recognised the dangerous years in the middle-aged employee," Hines said.

Twice told perhaps will do but half a dozen self destructive marketing myths remain

by Aubrey Wilson

IT doesn't take 10 centuries for legends or myths about a people, a country or an activity to develop. For management subjects, the time-span can be measured almost in months.

Lewis Carroll's Bellman, in *The Hunting of the Snark*, assured his motley crew that: "What I tell you three times is true." In marketing, twice told will do.

Six marketing myths whose basis is lost in relative antiquity have proved, and will prove again, to be as dangerous a means of corporate self-destruction as hemlock.

First: Marketing departments ensure marketing orientation.

To be suitably orientated a company must have a marketing department charged with marketing the company's offerings. But the effect for many companies – indeed for most companies that suddenly decide to move towards marketing – is precisely the opposite, and it is disastrous.

The establishment of a marketing department is an immediate signal to all other parts of the company that they can forget the subject. Marketing is no longer their problem or responsibility. Thus 10 per cent of the firm has a marketing title, and a marketing function, while 90 per cent can go comfortably back to being product-orientated without any feelings of guilt.

There is a tendency to treat a marketing department as all that is necessary for orientating a firm towards its market. This ignores the important contribution that other departments make to a successful marketing policy, despite their apparently non marketing functions.

A number of international companies left marketing entirely to the marketers, and, as a result, ceased to exist as independent entities: Staflex, UK, AEI-Hotpoint, of America, English Electric. It could have worked at AEI, perhaps, but it didn't, because the rest of the company abrogated it.

Second: Creative "me-tooism" is the best method of adding products.

There have been so many well-publicised failures of innovative products that it is now a deeply held belief that me-tooism is the right route for new products. Spectacular failures such as "Corfam" synthetic leather, NSM tobacco substitute, and the International Reservations fiasco provide the cause factors for such attitudes.

The myth is a nice, comfortable one, since, for those who believe it, there is no need for research or development, or the pains of innovation, but only a sharp eye for the main chance.

But who was the first man to make a solo crossing of the Atlantic? Who was second? Who was the first to ascend Everest? And who was the second?

Despite the risks and traumas of high-cost failures, not to mention those of successes, the first product to obtain a niche in the customer's mind is difficult, and sometimes impossible, to dislodge.

There is nothing wrong with "me-tooism" in itself. But the rejection of pure innovation as a route to satisfactory product positioning means throwing away a vital strategy.

Properly executed, that strategy has brought market leadership in industry after industry – a lead which has often been difficult to erode.

It's understandable that with so many failures (and such publicised and expensive ones at that) with new products, marketers should turn to imitation. But this shouldn't rule out pure innovation.

Instant cameras, even when made by Kodak, are still called "Polaroids".

A study by J H Davidson, in *Harvard Business Review*, showed some clear lessons from the launching of 100 new grocery brands over a 10-year period. Half were failures and half were successes.

Those that offered better performance weighted the odds heavily in their favour. Me-too products did not do well.

The great majority of the failures were only marginally different from or similar to the competition. But, among successes, dramatic or marked difference was part of the recipe, along with better performance.

Third: All price pressure comes from customers.

So it does, if salesmen [illegible] on price, rather than on [illegible] and perceived qualities of [illegible] attributes of a product or service.

It's true that buyers in industrial purchasing measure their performance and [illegible] measured by the low price they obtain. But the [illegible] users adopt a totally different series of criteria which [illegible] allow premium prices.

But the salesman, is [illegible] the villain of the piece, particularly when his remuneration is made up partly from commission.

The arithmetic is simple: [illegible] he cuts a price by 10 per cent on a 5 per cent commission, [illegible] receives a mere 4.5 per cent commission. But who, in [illegible] logic, wouldn't rather have [illegible] per cent of something [illegible] 5 per cent of nothing?

The 10 per cent drop in price can be a guarantee of [illegible] 4.5 per cent, bearing in mind the inflexible formula: high price = high profit = low chance of success; but low price = low profit = high chance of success.

Moreover, the psychological factors which reinforce the arithmetic dominate. Salesmen are usually assessed on their order input, not their order profitability.

Cutting a price obtains the friendship and support of the buyer and a flow of orders, which result in the admiration and respect of peers, superiors and subordinates. Is there any wonder that price pressure is as likely to come from the salesman as the customer?

Fourth: Services are just intangible products.

If this is so, then a service must be marketed just as a product is. While no-one will deny that the tools of marketing for services do not vary significantly from those for goods, the method of application and message conveyed for services should be very different.

Few services are marketed well. They may be advertised well, but advertising is only one tool.

The service system is a mix of concrete things (the shop, the hotel room, the aircraft) and the intangible service itself (speed, range, environment, ambience and, above all, people).

It is a cliche that services are a "people business": and no service is better than its people. Alas, people are not machines and the quality of people output varies almost from minute to minute.

The smiling, pleasant girl on the airline desk is suddenly a snarling martinet after a clash with a customer. The airline holdall remains the same – impersonal, impassive.

In marketing services, people are being marketed. Therefore the bulk of effort should be in the pre-sale period – in training, motivating, and encouraging people at the sharp end. The service, in fact, has to be marketed as hard to its practitioners as to its customers.

Fifth: Marketing research can solve all marketing problems.

It can't.

There are many markets, many situations and many geographical areas beyond the current capability of marketing research techniques and the marketing researcher.

No one has yet broken down the marketing for floorings into usable rather than consolidated categories.

Market research, however, can be a legitimate and corporately acceptable method of postponing a decision – and it is often that way.

After years of successful use of marketing research – industrial and consumer – it is still necessary to state that while marketing research is a tool for better decision-making, it does not make decisions.

Marketing researchers generally agree that as much as half of their investigations are never used, interest declines or ceases between the inception of an idea and the results being made available, or lack of faith in the results and all too real assumptions that they didn't fit the preconceived ideas, requirements, or political alignment of the sponsors.

The wastage of resources on market research has never really been researched itself.

While the advertising industry is constantly aware of the risks, and, indeed the magniture of failure, marketing research has maintained its primaeval arrogance of rarely explaining the cause and consequence of failure. Only the much-publicised election-time polling has bared its heart, making a virtue of necessity.

It is a dangerous myth to suppose that the answer to every marketing problem is more information, or even better information.

Market research cannot replace judgement. It is an aid to judgement.

Sixth: Market share is a measure of market success.

Only in the last two years has anyone challenged the myth of market share as success criteria.

It all depends, as author and consultant Simon Majaro has pointed out, on "shares of what?" High market share does not necessarily mean effective marketing effort, and it certainly doesn't mean high profit.

Majaro shows that in an annual £5 million anti-asthma drug market, one firm had 20 per cent in value terms and 30 per cent in terms of prescriptions issued. But this, in turn, represented the output of only 18 per cent of doctors, although 40 per cent of all sufferers were using the firm's brand.

The 30 per cent of prescriptions was good news, but only 18 per cent of doctors prescribing was bad news.

Many a marketing manager would bite the dust if market share claims for market dominance were translated in terms of what dominance means to the business and, in the last analysis, to profit.

Marketing has been active and dominant long enough to allow itself a long, hard look at some of the surrounding folklore.

Its quaintness has a bucolic attraction. But country crafts, while picturesque, are no substitute for the precision and technology of the present age, or of its fast moving business.

Perhaps the most profitable course to pursue would be to stand back from the marketplace and take a hard look at historic and marketing methods, criteria for success and the level of activity in marketing.

Firms that act on their findings in 1980, with a fine disregard for the anthropology and folklore of the business, have an excellent chance of turning discarded myths into reported profits.

Aubrey Wilson, founder and former chairman of Industrial Market Research, is now an independent consultant, author and lecturer.

Economic outlook appears uncertain

THE Carter administration should not rush forward with new programme initiatives aimed at countering expected economic developments at present, "because the outlook for 1980 is so uncertain," says the Joint Economic Committee of the United States Congress.

But in its annual report on the American economy, the committee makes positive proposals:

- Monetary and fiscal policies should be kept steady over the long term, and be designed to achieve an average annual growth rate equal to the nations long-run potential growth rate;
- A tax cut of about $25,000 million should be enacted by the middle of 1981 both if there is a downturn in the economy and unemployment rises or if there is no downturn and budget surpluses begin to rise;
- One-half of any tax reduction "should be de[illegible] to provide greater in[illegible] for capital invest[illegible]
- The [illegible] System – the [illegible] Reserve banker – should acc[illegible] gradual reduction in the [illegible] of money and credit expansion over a period of [illegible] toward rates that are [illegible] tent with the non-inflation[illegible] real growth rate of the economy;
- Monetary policy should not be diverted "from domestic goals to secure international objectives other than in truly exceptional circumstances". Policies to raise productivity and reduce inflation within the United States "will ultimately result in greater stability for the dollar internationally";
- "The system of floating exchange rates, with periodic intervention to counter disorderly markets, should be retained. Under present [illegible] conditions, floating appears to be the only viable approach";
- "The administration should present to Congress a comprehensive plan for stimulating energy conservation and production that would include a programme to encourage oil exploration in non-oil-exporting developing countries";
- To help improve the United States export performance, the Government should actively promote the interest and participation of American business in foreign